ISDN Holdings Limited

ANNUAL REPORT 2007

TRANSCENDING TO NEW HEIGHTS

VISION

To be the engineering solution provider of choice focused on delivering innovative and quality solutions of value to our customers and stakeholders.

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CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER

200416788Z

REGISTERED OFFICE

No. 10 Kaki Bukit Road 1
#01-30 KB Industrial Building
Singapore 416175
Tel: (65) 6844 0288
Fax: (65) 6844 0070

DIRECTORS

Lim Siang Kai
Teo Cher Koon
Kong Deyang
Soh Beng Keng
Tay Gim Sin Leonard

AUDIT COMMITTEE

Lim Siang Kai (Chairman)
Soh Beng Keng
Tay Gim Sin Leonard

REMUNERATION COMMITTEE

Soh Beng Keng (Chairman)
Lim Siang Kai
Tay Gim Sin Leonard

NOMINATING COMMITTEE

Soh Beng Keng (Chairman)
Teo Cher Koon
Lim Siang Kai

SECRETARY

Gn Jong Yuh Gwendolyn

MISSION

- To be recognised as the leader in all the markets we serve
- To continue to build enduring relationship of trust with our customers and partners
- To be an employer of choice that inspires and rewards performance excellence
- To generate value for shareholders through measured growth strategies in earnings and distributions.

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
(f.k.a Lim Associates (Pte) Ltd)
3 Church Street
#08-01 Samsung Hub
Singapore 049483

PRINCIPAL BANKERS

Standard Chartered Bank
Main Branch
6 Battery Road
Singapore 049909

United Overseas Bank Limited
Main Branch
80 Raffles Place
UOB Plaza 1
Singapore 048624

DBS Bank Limited
Main Branch
6 Shenton Way
DBS Building
Singapore 068809

Standard Chartered Bank (China) Limited
Shanghai Branch
35/F & 38/F & 26/F
China Merchants Tower
161 East Lu Jia Zui Road
Pudong District
Shanghai 200120, China

United Overseas Bank (China) Limited
Shanghai Branch
9F Shanghai Erdos International Mansion
1118 Pudong South Road
Pudong New Area
Shanghai 200122, China

China Construction Bank Co., Ltd
Suzhou New & Hi-Tech Industrial
Development Zone Sub-Branch
No.95 Shishan Road
Suzhou New District, China

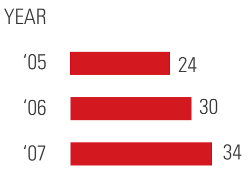
AUDITORS

Moore Stephens
11 Collyer Quay
#10-02, The Arcade
Singapore 049317
Partner-in-charge: Ng Chiou Gee Willy
(appointed in FY 2007)

CORPORATE HIGHLIGHTS

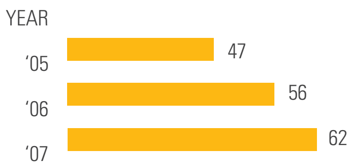
Our Human Capital

MANAGEMENT



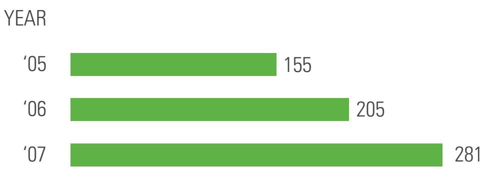
Number of employees

WAREHOUSE, DELIVERY & PRODUCTION



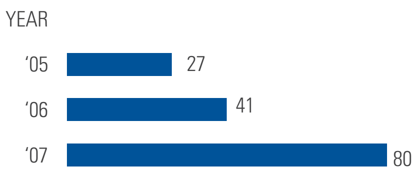
Number of employees

TECHNICAL, SALES & SALES SUPPORT



Number of employees

FINANCE, OFFICE & IT ADMINISTRATION



Number of employees

PRESIDENT'S MESSAGE

DEAR SHAREHOLDERS,

Revenue from North Asia jumped from S$18.8 million in FY2004, to S$37.7 million in FY2006 and to S$60.9 million in FY2007. This represents a three-fold increase within a short span of three years. We also reached our target to have 50 PRC sales offices by 2008. In fact we surpassed our target and achieved so a year earlier, by increasing them from 14 at the time of our IPO in FY 2005, to 42 by FY2006 and to 52 by FY2007.

The past year marked a period of rapid progress and development for the Group. ISDN inked several strategic partnerships and alliances that would place the company on an even stronger footing in the years to come. The Group reached a significant performance milestone by surpassing the S$100 million-revenue mark. Revenue from North Asia jumped from S$18.8 million in FY2004, to S$37.7 million in FY2006 and to S$60.9 million in FY2007. This represents a three-fold increase within a short span of three years. We also reached our target to have 50 PRC sales offices by 2008. In fact we surpassed this a year earlier than targeted, increasing them from 14 when ISDN was listed in FY2005, to 42 in FY2006, and hitting 52 offices in FY2007.

The Group has gone beyond just being a motion control specialist exposed to the cyclical nature of the semi-conductor industry. It has successfully transformed itself into a bona fide technology and innovation-driven one-stop solutions provider with its own proprietary cache of intellectual property and industrial patents. This gives the Group a critical competitive advantage to enable it to compete with international players. It also provides us with the necessary wherewithal to attract new customers and new industry partners.

Our customer base has expanded substantially, now totaling almost 4,000, from about 3,000 a year earlier. We have also cast our nets wider to encompass new and exciting sectors such as renewable energy and specialised industrial components such as high-end hinges and locks.

All these efforts have steadily translated into concrete results. For the financial year in review, Group revenue continued its double digit growth, rising by 38.0% to S$102.9 million, from S$74.5 million. Net profits to shareholders were marginally lower by 9.1%, coming in at S$5.6 million, from S$6.2 million.

Net earnings per share, after taking into account new shares issued from a share placement earlier in the year, was 3.21 Singapore cents, from 3.89 Singapore cents previously while net asset value per share climbed from 13.86 Singapore cents to 19.29 Singapore cents.

The Group continued to generate positive cash flow from operations, churning S$3.5 million of net cash from operating activities.

PRESIDENT'S MESSAGE

The past year marked a period of rapid progress and development for the Group. ISDN inked several strategic partnerships and alliances that would place the company on an even stronger footing in the years to come. The Group reached a significant performance milestone by surpassing the S$100 million-revenue mark.

I am pleased to announce that the Board of Directors has proposed a final dividend of 0.55 cents per share.

Operationally, our business in North Asia, in particular, China, was once again the star performer and it looks poised to continue this surge. Demand is expected to continue to be robust and the Group is benefitting from its partnerships with strategic partners. Besides expanding geographically within China, we are also striving to penetrate deeper into specific industries. During the year we started a joint venture, Weiyi M&E Equipment (Shanghai) Co., Ltd to offer engineering solutions to packaging, textile and plastic industries in China. We expect to forge even more new collaborations in the near future while strengthening existing ones.

We will continue to stamp our mark on the global scene by venturing into new exciting frontiers like India and Taiwan where the potential for growth is immense. To ease this transition we have started to put in place the necessary foundations to tap into these two markets. We have incorporated a subsidiary in India and established an associate company in Taiwan. Late last year, we have also set up a representative office in Indonesia to tap into new business opportunities.

We have also recently completed our acquisition of Dirak Asia Pte Ltd, which was part of the German-based Dirak GmbH & Co group of companies that has a strong heritage of innovation with ownership of more than 250 patents worldwide. Dirak specialises in the innovative design and manufacture of hinges and locks for the high-end industrial enclosure market for a diverse range of industries.

This acquisition will introduce new revenue streams and will significantly add to our profitability starting from FY2008. Dirak Asia has consistently generated approximately 55% compounded annual growth rate from 2004 to 2006.

In addition, this acquisition opens a new vista of opportunities for the Group to provide a wider scope of other specialised engineering solutions to our growing pool of global and domestic clientele.

Additionally, the Group recently delivered 18 units of positioning stages and control systems, worth RMB 3 million to a leading solar panel equipment manufacturer in China, heralding our entry into the highly lucrative renewable energy sector. According to the manufacturer, the orders could potentially escalate to 200 units, which would translate to RMB 30 million.

With these new growth drivers, new markets in place and potential penetration into the marine and offshore sectors, I am confident the Group is now ready to charge ahead towards its next phase of growth. 2008 looks poised to be an exciting year ahead for ISDN and its shareholders.

Let me take this opportunity to thank our Board of Directors, management and staff for their contributions and dedication as well as our shareholders, customers, suppliers and business partners for their continued support.

Teo Cher Koon
President and Managing Director

CORPORATE PROFILE

ISDN Holdings Limited is an engineering company specialising in integrated precision engineering and industrial computing solutions. The company offers a wide range of engineering services, mainly to customers who are manufacturers and original design manufacturers of products and equipments that have specialised requirements in precision controls. We

provide the full spectrum of engineering services from conceptualisation, design & development to proto-typing, production, sales & marketing and after sales engineering support. ISDN was listed on the Mainboard of the Singapore Exchange on 24 November 2005.

CORPORATE PROFILE

VISION

To be the engineering solution provider of choice focused on delivering innovative and quality solutions of value to our customers and stake-holders.

MISSION STATEMENT

To achieve our vision, we are committed to do the following:

- To be recognised as the leader in all the markets we serve
- To continue to build enduring relationship of trust with our customers and partners
- To be an employer of choice that inspires and rewards performance excellence
- To generate value for shareholders through measured growth strategies in earnings and distributions.

CORPORATE PROFILE

Starting as a small trading and distribution company in 1987 for servo motors and related components in Singapore, the Company has since blossomed into a formidable integrated engineering solutions force in Asia with over 400 employees, 73 sales offices and 36 companies, serving almost 4,000 customers through more than 500 suppliers.

ISDN's business can be categorised into three broad segments:
1) engineering solutions- motion control;
2) other specialised engineering solutions and
3) industrial computing.

Engineering solutions- motion control

Engineering solutions involves a wide range of activities from conceptualisation, innovative designs and development, prototyping, procurement and production of assembly with systematic controls, testing, installation and commissioning, to the provision of continuing technical support through after sales services.

These engineering solutions are integrated into our customers' equipment, production processes as well as their end-products.

Other specialised engineering solutions

Other specialised engineering solutions include that for industrial vision, precision gears, gear boxes, laser technologies for precision measurement and cutting as well as for high-end industrial locks and hinges. These solutions include the assembly and manufacture of special purpose motors and gears, industrial locks and hinges and the trading and distribution of spares, components and motors.

Industrial computing

Industrial computing provides hardware and software solutions and complements the engineering solutions business. Industrial computing products and services include customising and assembling industrial computer systems and installation of software.

OUR CUSTOMERS

Our customers, most of whom are repeat customers are cut across diverse industries, including those in the alternative energy, aerospace, information technology, medical, oil & gas, robotics, factory automation, water treatment, manufacturing, hard disk drive, and semiconductor industries.

Our customers can be categorised into (i) those seeking solutions to their manufacturing processes and plants, and (ii) those seeking solutions for a special functions and controls to their equipment and end-products.

Industry	Examples of Applications	Examples of Customers
Aerospace	Aircraft maintenance (tooling for rapid sheet metal parts production)	China Aerospace Science and Technology
Alternative Energy	Positioning stages and control systems for laser manufacturer to produce solar panel processing equipment	(Confidential)
Information Technology	High-end locks and hinges for enclosure of manufactured industrial IT products and solutions	Flextronics and Foxconn
Medical Equipment	Collimator for cancer radiation	Top Chinese manufacturers (E.g. Topslane, YPSun)
Medical Consumer	Insulin pumps	Top Chinese manufacturers (E.g. Fornia, Dintao Yiliao)
Manufacturing	Line assembly automation	Leica Instruments, Wyeth Nutritionals
Oil and Gas	Gas pipeline, shutdown systems.	China National Petroleum, Invensys Process Systems (in collaboration with Invensys to serve its oil and gas customers)
Semiconductor	PCB mounting systems, ultra-fast feeders, SMT placement equipment, wafer processing systems.	Kulicke & Soffa, ASM, MMI

OUR COMPETITIVE ADVANTAGE

Unique Business Model

ISDN is focused on a high-mix, low-volume, high value-added market segment that requires customised needs. We provide high value-added solutions and supply custom-built functional modules and control assemblies that form an integral and critical part of our customers' production processes and their end products.

Strong Supplier Partnerships

Over the years, ISDN has built up a sizeable pool of global partners and suppliers, counting more than 500 today, from whom we draw a wide range of support in engineering technology. Today, we represent some of the leading European and Japanese manufacturers in China and parts of Asia for their growth programs in the region. These include Maxon Motor AG ("Maxon"), the leading global supplier in specialised motors, high-powered drives and systems; Eisele Antriebstechik Gmbh ("Eisele"), a German company with more than 30 years of manufacturing know-how in precision planetary gears and Yaskawa, the world's largest manufacturer of AC Inverter Drives, Servo and Motion Control, and Robotics Automation Systems. Partnerships with Maxon and Eisele have developed into joint ventures that have facilitated deeper exchange of technological know-how. We are also now the top distributor for Yaskawa products.

Strong Engineering Capability

Our people are our asset and we believe in continuous investment in our human capital through talent nurturing and reward programs, in-house training and team-based interaction. Our pool of engineers and sales force are central to our ability to translate our customers' needs and challenges into opportunities and sales for ISDN through design, assembly and provision of after-sales service.

Extensive Business Network in Asia

ISDN has about 52 offices across Greater China including Suzhou, Shenzhen, Guangzhou, Chongqing, Beijing and Shanghai as well as presence in Asian growth markets such as Thailand and India. Besides providing on-site, on-demand service to our clients, our business and manufacturing network offers our partners and suppliers a valuable entry point into Asia, in particular China.

OPERATIONS AND FINANCIAL REVIEW

2007 marked a year of significant milestones as the Group continued to build on its technological capabilities and intensified its efforts to build a stronger presence in the region. The past year was also a year of preparation for the Group to reach greater heights in the coming years.

OPERATIONS AND FINANCIAL REVIEW

We have expanded our sales network in China, from 42 as at 31 December 2006 to 52 sales offices in 28 cities, as at 31 December 2007. Our sales network is integral to our push in expanding our customer base in the mainland. The World Bank states in the newly-released China Quarterly Update that it expects China's 2008 growth to hit 9.6%. We will continue to leverage on this robust economic growth by offering our services to local Chinese companies as well as foreign multi-national corporations, both Asian and Western that are increasingly outsourcing their production to China.

ISDN Industrial Park

A key development is the acquisition of approximately 40,000 square meters of leasehold land in the Wujiang Industrial Zone in Jiangsu, China for S$1.7 million. The land will be used to build a manufacturing complex including production facilities, dormitories for staff and a Centre of Excellence. The land will be used to consolidate our various operations now located in different parts of China. We may also potentially house our strategic partners' offices and operations. The architectural designs, structure and layout of the buildings are currently being finalised and construction for the first phase is expected to begin in the first half of FY2008. The manufacturing complex is expected to be completed in the first half of 2009.

Centre of Excellence

The Centre of Excellence will be used for engineering research and education to our employees and customers. Beyond that, it will also be providing training and courses on team building, business and communication skills to enrich our employees and business partners, so that they will be able to understand and serve multi-national customers better. Eventually we will open the Centre of Excellence to the public who are interested in our education programs.

China Rising

We have expanded our sales network in China, from 42 as at 31 December 2006 to 52 sales offices in 28 cities, as at 31 December 2007. Our sales network is integral to our push in expanding our customer base in the mainland. The World Bank states in the newly-released China Quarterly Update that it expects China's 2008 growth to hit 9.6%. We will continue to leverage on this robust economic growth by offering our services to local Chinese companies as well as foreign multi-national corporations, both Asian and Western that are increasingly outsourcing their production to China.

The benefits of locating a significant portion of our operations in China are three-fold. First, it allows us to be close to our customers, thus allowing constant dialogue and expediting our response time. Second, it affords the Group a competitive production environment that translates to better margins. And third, the huge numbers of engineering and science graduates that China is producing could provide a rich source of talent pool for the Group.

Not surprisingly, with these efforts in place and added to the continual proactive business development efforts of our sales team, our North Asia operations accounted for more than half of the Group's revenue. Sales from North Asia rose significantly climbing by 61.5%, from S$37.7 million in

OPERATIONS AND FINANCIAL REVIEW

FY2006 to S$60.9 million in FY2007. This upward trend is expected to continue for FY2008.

Launch of New Products

Despite the slowdown in the semi-conductor segment, South Asia which includes Singapore, Malaysia and Thailand pulled in S$41.5 million of sales in FY2007, an increase of 13.2%, from S$36.7 million in FY2006. This contributed slightly more than a third of the Group's revenue. This encouraging growth is attributed to the continuous effort of the Group to diversify from the cyclical semi-conductor industry and the introduction of several new products in Singapore. Besides South and North Asia, our revenue came in from customers from a smorgasbord of other countries including India, Pakistan, Sri Lanka, the United Kingdom, the United States of America, Germany and Australia.

Strong Demand for Engineering Solutions

Across business segments, the Group's Engineering Solutions- Motion Control division accounted for 75.2% of total turnover or S$77.4 million. Within the Motion Control division, we were able to increase sales from customers in the manufacturing, general automation and semiconductor industries. Most notable was sales to manufacturing industry, where revenue surged by 74.4% or S$13.8 million to S$32.3 million.

Other Specialised Engineering Solutions division built on its momentum of growth, contributing 19.0% or S$19.5 million to Group sales. This segment includes products and services relating to industrial vision, precision gears, gear boxes and laser measurement and cutting. Within this division, general automation posted a 4-fold jump in sales, from S$2.0 million to S$8.7 million.

Sales from Industrial Computing, however saw a marginal decline of 8.9% from S$6.6 million to S$6.0 million.

Margins Maintained

The Group's gross profit increased by S$4.1 million, putting gross margin for FY2007 at 26.1%, well within the Group's historical margin range of between 26% and 30%. Broadly, there was an increase of key expense items, in line with the higher business volume. Distribution costs rose as a result of higher imports due to increased revenue while administrative expenses including payroll and related expenses also rose, from S$11.5 million to S$15.0 million as a result of annual salary increments, bonuses and increased staff headcount.

Investment in Human Capital

ISDN now has a staff strength of 457, up from 377 last year, in large part due to the expansion of the sales network during the year. The Group now employs numerous engineering and technical graduates to meet the higher skills-sets required as we steadily scale the higher rungs of the technology value chain.

Quest for Technological Excellence

In our bid to continually stay ahead and remain competitive, the Group committed S$760,000 to research & development activities, equivalent to 0.7% of Group revenue during the year. This was spent in China for developing the Group's motion control and other specialised engineering solutions businesses. The knowledge-based content of our business affords the company the advantage of being asset-light. This reduces the need for substantial upfront capital.

Exciting Growth Areas

The pursuit of constant innovation has yielded encouraging results. The company has made inroads into niche sectors such as the medical and aerospace industries. More recently the Group has successfully penetrated into the much coveted alternative energy industry with the successful maiden delivery of positioning stages and control systems to a leading solar panel equipment maker in China. ISDN designed and produced a robust system with customised software that had to meet stringent requirements and standards.

New Partnerships and Alliances

Several partnerships were also established during the year. One key partnership was a 50-50 joint venture with Swiss-based Interelectric AG, to form Maxon Motor Taiwan Co., Ltd, the third collaboration between ISDN and Interelectric AG over a span of 12 years. Interelectric AG is one of ISDN's key business partners, with a strong heritage in motor technology, with products that have found its way into NASA's space exploration missions.

In China, the Group incorporated a 51% owned subsidiary, Weiyi M&E Equipment (Shanghai) Co., Ltd, with the joint venture partner, Shanghai Junkong Commerce & Trade Co., Ltd ("Junkong"), in order to capture a bigger market share in the packaging, textile and plastic industries in China.

ISDN also established through its subsidiary, Servo Dynamics Pte Ltd, a representative office in Indonesia, to tap into possible investment and business opportunities in the vast Indonesian market. The Group also entered into a joint venture to form DKM South Asia Pte Ltd, to offer integrated engineering solutions and services to Singapore and around the region, by using the DKM brand of products. DKM products are manufactured by DKM Co. Ltd in Korea, a company with a strong tradition of 20 years in product development and the manufacturing of motors, gear heads and accessories.

MANAGEMENT PROFILE

DIRECTORS

Lim Siang Kai
Chairman and Independent Director

Mr Lim is currently an executive director of China Leasing Group Limited (f.k.a. Golden 21 Investment Holdings Limited), a company listed in Hong Kong. Mr. Lim has over 20 years of experience in securities, private and investment banking and fund management. From 1984 to 1988, he had joined NZI Merchant Bank (Singapore) Limited as an assistant director of corporate banking. In 1988, he joined Kingvic Securities Investment Consulting Enterprise in Republic of China as its president. In 1992, Kingvic went on to establish Chronical Securities Investment Trust Co., Ltd, a fund management company of which Mr. Lim was president from 1993 to 1994. Mr. Lim worked at Dexia Banque Internationale A Luxembourg (BIL) in Hong Kong between 1994 to 1996 as its chief representative. In 1996, he was the general manager of its Xiamen Branch of United Overseas Bank. In 2001, he was relocated to the UOB head office, corporate banking division in Singapore. From 2002 to 2003, Mr. Lim was a financial consultant to Societe Generale, Singapore Branch.

Mr. Lim holds a Degree of Bachelor of Arts and Degree of Bachelor of Social Sciences with Honours from the University of Singapore which he obtained in 1980 and 1981 respectively, and a Masters degree in Economics from the University of Canterbury in 1983.

Teo Cher Koon
Managing Director and President

Mr. Teo joined our subsidiary, Servo Dynamics Pte Ltd ("Servo Dynamics") in 1987. He has more than 20 years of experience in all aspects of the business. Mr. Teo is responsible for formulating corporate strategies, general management and providing technical advice to our Group and is particularly active in procurement and marketing activities of our Group. Mr. Teo is instrumental in sourcing for new products and technology and securing new customers for our Group. Mr. Teo obtained a Bachelor Degree of Engineering (Mechanical) from the National University of Singapore in 1987. Before that, he was a sales engineer in a local engineering product distribution company, K L Chua & Brothers Pte Ltd from 1981 to 1984.

MANAGEMENT PROFILE

Kong Deyang

Executive Director and Senior Vice President – PRC Operations

Mr Kong is in charge of all aspects of our business operations in the PRC, from charting and developing growth policies for our PRC businesses to managing the day-to-day operations of our subsidiaries in China. Mr. Kong began his career in a PRC government linked company involved in nuclear research and development ("R&D") as supervisor and was later promoted to senior R&D engineer for high- speed cameras in 1982. From 1994 to 1995, he became a sales manager in the same company for CNC computerised quilting machines. From 1995 to 2001 he was the Vice General Manager for our subsidiary, Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou") and since 2001, he is the managing director for our subsidiaries, Servo Dynamics Co., Ltd and Maxon Suzhou. Mr. Kong graduated from the Beijing Technical University in 1982 with a Degree in Applied Physics and was awarded the "Young and Middle-aged State-ranking Experts with Outstanding Contribution" Award by the PRC state council in 1994.

Soh Beng Keng

Independent Director

Mr Soh is currently the Chief Financial Officer of China Fashion Holdings Limited, listed on the SGX-Catalist. Prior to that, he was the Financial Controller of Miclyn Offshore Pte Ltd, a Singapore company involved in the business of the owners and charters of ships. From 2005 to 2006, he was the Financial Controller of Kim Heng Marine & Oilfield Pte Ltd, a Singapore company involved in marine and oil related business. He was the Manager of accounts and finance with Far East Organisation, a property development group, from 1982 to 1995, and was a remisier with a Singapore securities broking house from 1995 to 1996. From 1996 to 2004, Mr Soh was the Director of Finance of Heeton Management Pte Ltd, and subsequently, Executor Director of Heeton Holdings Limited, listed on the SGX-SESDAQ. Mr Soh is a full member of the Singapore Institute of Directors and a member of the Institute of Certified Public Accounts of Singapore. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

Tay Gim Sin Leonard

Non-executive Director

Mr Tay is currently an Executive Director and Chief Financial Officer of Altitude Trust Management Pte. Ltd., the trustee manager of Altitude Aircraft Leasing Trust. Under his belt, he has over a decade of financial management experience. Prior to joining Altitude Trust Management, he was the Chief Financial Officer of AGVA Corporation Limited listed on the SGX-ST. Mr Tay has also spent nine years in public accounting with the Big Four accounting firms, four year of those were spent in the United States of America. Mr. Tay holds a bachelor's degree in business from Monash University, majoring in accounting, and is a member of the Institute of Certified Public Accountants of Singapore, CPA Australia, the Singapore Human Resource Institute, and the Singapore Institute of Directors.

MANAGEMENT PROFILE

EXECUTIVE OFFICERS

Cheng Hock Kiang

Vice President - Sales (Industrial Computing, Hardware).

Mr Cheng joined our Group as a Sales and Marketing Manager of our subsidiary, Portwell Singapore Pte Ltd ("Portwell") since 1997. He is responsible for building and sustaining good relationships with our customers, overseeing the day-to-day operations of Portwell, and leading our sales team in developing new marketing strategies for our industrial computing systems. Mr. Cheng was a partner in Sago Renovation & Trading, a furniture company from 1993 to 1999 and was a service engineer in Quest Technology Pte Ltd, a cleanroom specialist, from 1991 to 1993. Mr. Cheng obtained a Diploma in Electronic Engineering from Ngee Ann Polytechnic Singapore in 1988.

Chow Ka Man

Vice President – Hong Kong Operations

Mr Chow has been the managing director of our subsidiary Servo Dynamics (H.K.) Co., Ltd ("SD Hong Kong") since 1996. He is in charge of the day-to-day operations of SD Hong Kong and is responsible for the sales and service engineering of the motion control systems that we provide in Hong Kong. In 1995, Mr. Chow worked as a Sales Engineer at Scientific Engineering Ltd. Mr. Chow obtained his Higher Certificate in Mechanical Engineering from the Hong Kong Polytechnic in 1994.

Han Moo Juan

Vice President – Sales (Industrial Computing, Software)

Mr Han joined Servo Dynamics as a sales engineer in 1997 and has been with our Group ever since. Mr. Han is responsible for the sales and marketing activities our Group's products, negotiating and securing projects and orders from our customers and formulating new strategies to improve the sales and marketing activities of our Group. From 1994 to 1997, he was a director with Abeltech Pte Ltd, and is in charge of the sales of provision of services, solutions and trading in AC power related products. From 1990 to 1994 he was a sales engineer with Boustead Services Pte Ltd, a distributor of test measurement, medical equipment and power conditioner products. From 1987 to 1990, he was a service engineer with Gould Electronics Pte Ltd, a company engaged in the trading of control instrument, test measurement, medical equipment and power conditioner products. Mr. Han obtained a Diploma in Management Studies from the Singapore Institute of Management in 1993 and a Technician Diploma in Electrical and Electronic Engineering from Ngee Ann Polytechnic Singapore in 1984.

Lau Choon Guan

Vice President - Sales (Motion Control)

Mr Lau is responsible for analysing market demand, sales and marketing of our Group's products and executing business plans effectively. He started his career in 1987 as an assistant foreman in Matsushita Electronics Components (S) Pte Ltd, which is engaged in the manufacture of electrical components and was responsible for supervising and increasing the productivity of the production operations. In 1990, he was promoted to foreman in the same company. In 1991, he joined our Group as a sales engineer where he was in charge of sales and marketing before eventually being promoted to be a Vice President in our Group. Mr. Lau obtained a Technician Diploma in Electrical Engineering from the Singapore Polytechnic in 1985.

MANAGEMENT PROFILE

Lim Bee Teng
Vice President - Finance

Ms Lim is responsible for the finance and accounting matters of our Group. Prior to joining our Group in 2004, Ms Lim was a financial accountant at Hotel Dynamics Group which is engaged in loyalty marketing for hospitality industry. From 2000 to 2003, she was an audit supervisor with Deloitte & Touche, Singapore where she managed the audit of various public-listed companies and MNCs. From 1998 to 2000, she was a tax/audit assistant with Tan Wee Tin & Co. Ms Lim obtained a Degree of Bachelor of Accountancy from the Nanyang Technological University in 1998. She is a member of the Institute of Certified Public Accountants of Singapore.

Sim Leong Seang
Vice President - Technical Support (Motion Control)

Mr Sim is responsible for increasing the size of our pre and post sales product and applications capability of our Group. Mr. Sim was a production supervisor with Hipak Industries Pte Ltd ("Hipak") from 1979 to 1981, a polythene bag production factory. When Hipak was acquired by Lamipak Industries Pte Ltd ("Lamipak"), he was promoted to the post of Production Superintendent, where he was responsible for the efficient running of the expanded production facilities. He left Lamipak in 1984 to pursue his studies and served his National Service thereafter. Mr. Sim obtained a Diploma in Electronics Engineering from the French-Singapore Institute in 1986. From 1988 to 1992, he worked with the German-Singapore Institute as a training officer where he was attached to the industrial projects group involving the designing and installation of computer hardware and software used in factory automation.

Udom Warasatian
Vice President – Thailand Operation

Mr Warasatian has been the managing director of our subsidiary Servo Dynamics (Thailand) Co., Ltd ("SD Thailand") since 1995. He is in charge of the day-to-day operations of SD Thailand and is responsible for the sales and service engineering of the motion control systems that we provide in Thailand. Between 1987 and 1993, Mr. Warasatian was a lecturer at King Mongkut Institute of Technology. Mr. Warasatian obtained a Degree of Bachelor of Engineering in Electrical Engineering from King Mongkut Institute of Technology in North Bangkok, Thailand in 1987.

Wong Kwok Whye Peter
Vice President - R&D and General Manager of Leaptron Engineering Pte Ltd ("Leaptron")

Mr. Wong is responsible for developing corporate growth strategies of Leaptron. He has more than 15 years of experience in the area of marketing, sales, product development, technical support and training in our industry. Before joining our Group in 2002, he was an operations manager in ADLink Technology Pte Ltd from 1999 to 2002, where he was responsible for the marketing and developing of industrial automation products in the South East Asia region. Before that he was an application manager of our subsidiary Servo Dynamics from 1996 to 1999, where he was in charge of the development of the technical and training team for our "Wonderware" software program. In 1996, he was an IT specialist with Vaggs Asia Pte Ltd, where he led a team of IT specialists in the provision of IT solutions and web application services. In 1995, he was also the head of R&D in Alpha Infortech Pte Ltd, where he led the development team in the research and development of TV tuner peripheral for computers. From 1989 to 1992 he was a customer service engineer in Conner Peripherals Pte Ltd, where he was in charge of quality improvement procedures in the hard disk production facility. Mr. Wong obtained a Degree of Bachelor of Engineering (Electrical) from the Nanyang Technological University in 1995 and a Diploma in Electronic Engineering from Ngee Ann Polytechnic Singapore in 1989, where he was also awarded a Certificate of Merit for Outstanding Performance in the Electronic Engineering Course during the 1988-1989 session.

DIRECTORSHIPS

AS AT 31 DECEMBER 2007

Present Directorships

LIM SIANG KAI

Group companies

ISDN Holdings Limited

Other companies

China Financial Leasing Group Limited
(f.k.a Golden 21 Investment Holdings Ltd)
Natural Cool Holdings Ltd
Texchem-Pack Holdings Ltd
Foreland Fabrictech Holdings Limited
China Print Power Group Limited
China Angel Food Limited
Joyas International Holdings Limited

TEO CHER KOON

Group companies

ISDN Holdings Limited
DBASIX Singapore Pte Ltd
DKM South Asia Pte Ltd
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co, Ltd
IDI Laser Services Pte Ltd
IGB (H.K.) Co., Ltd
JM Vistec System Pte Ltd
Leaptron Engineering Pte Ltd
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd
Maxon Motor (Suzhou) Co., Ltd
Maxon Motor Taiwan Co., Ltd
Motion Control Group Pte Ltd
Precision Motion Control Phils Inc.
Prestech Industrial Automation Pte Ltd
SejinIGB (China) Co., Ltd
Servo Dynamics (H.K.) Limited
Servo Dynamics Pte Ltd
Servo Dynamics Sdn Bhd
Servo Dynamics (Thailand) Co., Ltd
Servo-matic Technology (M) Sdn Bhd
Servo Suzhou Co., Ltd
Suzhou PDC Co., Ltd
USAS Motion Co., Ltd

Other companies

Assetraise Holdings Limited
Dirak Asia Pte Ltd
Dirak Suzhou Co., Ltd
Taiwan Dirak Co., Ltd
Sand Profile (HK) Co., Ltd
Sand Profile (Suzhou) Co., Ltd

KONG DEYANG

Group companies

ISDN Holdings Limited
Beijing Beicheng Xinkong Ci Fu Technology Co., Ltd
Beijing Junyizhicheng Technology Developing Co.,Ltd
Chongqing Junzhi Automatic Instrument Control Co., Ltd
Eisele Asia Co., Ltd
Excel Best Industries (Suzhou) Co., Ltd
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd
Maxon Motor (Suzhou) Co., Ltd
SejinIGB (China) Co., Ltd
Servo Dynamics Co., Ltd
Shanghai Delta Automation International Trade Co.,Ltd
Shenzhen Servo Dynamics Co.,Ltd
Suzhou PDC Co., Ltd
Weiyi M&E Equipment (Shanghai) Co., Ltd

Other companies

Dirak Suzhou Co., Ltd
Dirak Beijing Co., Ltd

SOH BENG KENG

Group companies

ISDN Holdings Limited

Other companies

China Haida Ltd

TAY GIM SIN LEONARD

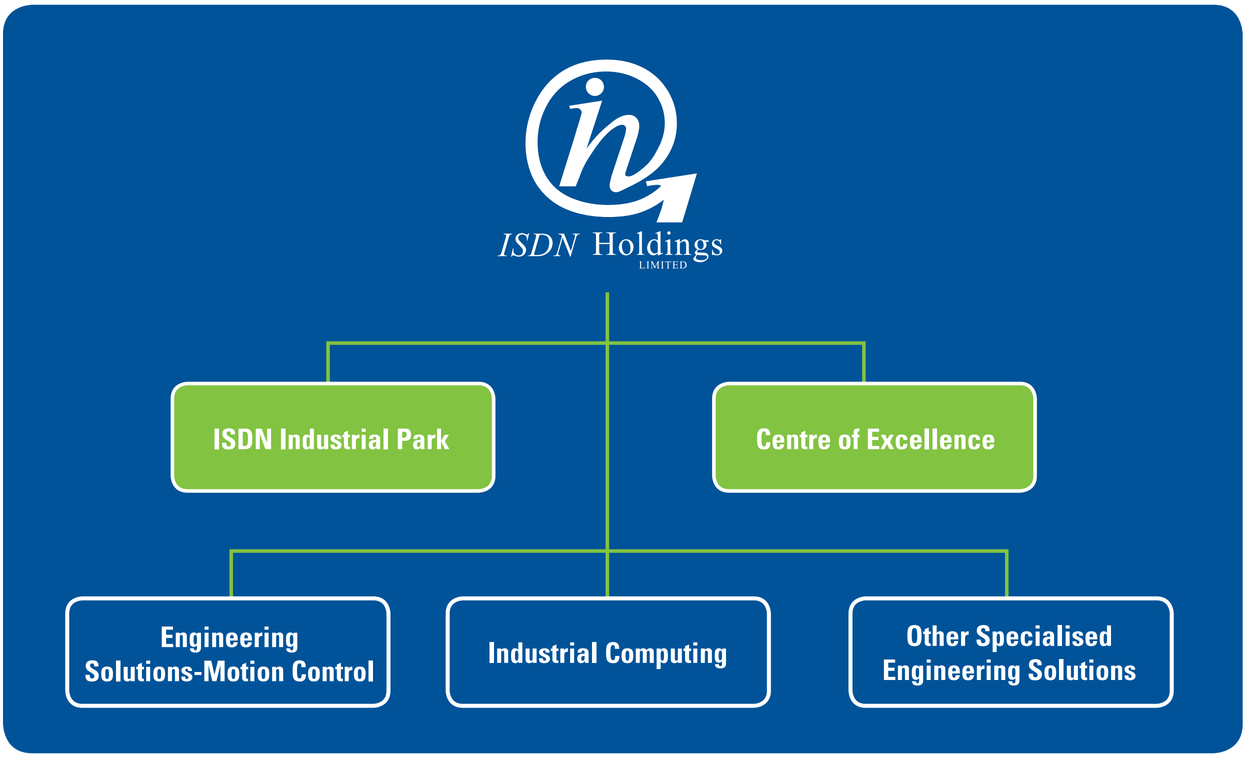
Group companies

ISDN Holdings Limited

Other companies

Altitude Trust Management Pte Ltd
Altitude One Pte Ltd
Altitude Sub-Trust One Management Pte Ltd
Swiber Holdings Limited

BUSINESS DIVISIONS



ISDN Industrial Park and Centre of Excellence

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

ISDN Holdings Limited ("ISDN") is committed to complying with the Code of Corporate Governance issued by the Committee on Corporate Governance (the "Code") and the Best Practice Guide issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"). This report outlines ISDN's corporate governance framework in place during the financial year ended 31 December 2007.

1 Board Matters

Principle 1: Board's Conduct of its Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The primary functions of the Board are to provide stewardship for ISDN and its subsidiaries (the "Group"), set the Group's values and standards and enhance and protect long-term returns and value for its shareholders. Besides carrying out its statutory responsibilities, the Board oversees the formulation of the Group's long-term strategic objectives and directions, reviews and approves the Group's business and strategic plans and monitors the achievement of the Group's corporate objectives. It also oversees the management of the Group's business affairs and conducts periodic reviews of the Group's financial performance and implementing policies relating to financial matters, which include risk management, internal controls and compliance. All Directors must objectively make decisions in the interests of the Group. The Board examines its size and, with a view to determining the impact of the number upon effectiveness, decides on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board also takes into account the scope and nature of the operations of the company.

The Board's approval is also required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's half yearly and full year results and interested person transactions of a material nature. The Board uses all means to ensure that incoming new Directors are familiarised with their duties, obligations and the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties. The Board does not provide training to new Directors on accounting, legal or industry-specific matters as it uses its best efforts to select new Directors who already possess such skills. However, the Directors receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.

Going forward, the Board proposes to meet at least twice a year to oversee the business affairs of the Group, and to approve, if applicable, any financial and business objectives and strategies. Ad-hoc meetings will be held when circumstances require. ISDN's Articles of Association also provide for telephone conference and video conference meetings.

To assist the Board in the discharge of its responsibilities, the Board has established three Board Committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

1 Board Matters (cont'd)

Principle 1: Board's Conduct of its Affairs (cont'd)

The attendance of the Directors at meetings of the Board and Board Committees is as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	5*	4	1	1
Directors		**Number of meetings attended**		
Teo Cher Koon	5	N/A	1	N/A
Kong Deyang	2	N/A	N/A	N/A
Tay Gim Sin Leonard	5	3	N/A	1
Lim Siang Kai	5	4	1	1
Soh Beng Keng	5	4	1	1

* Of which 3 board meetings were convened for verification exercises for various corporate actions.

N/A- Not applicable

Non-Executive and Independent Directors constructively challenge and help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. To facilitate a more effective check on Management, Non-Executive and Independent Directors are encouraged to meet regularly without Management being present.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

During the financial year under review, the Board of ISDN comprises two Executive Directors, one Non-Executive Director and two Independent Directors, namely:

Executive Directors
Teo Cher Koon
Kong Deyang

Non-Executive Director
Tay Gim Sin Leonard

Independent Directors
Lim Siang Kai (Chairman)
Soh Beng Keng

There is a good balance between the Executive, Non-Executive and Independent Directors and a strong and independent element on the Board. Key information on directors can be found in the "Management Profile" section of the Annual Report.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions.

1 Board Matters (cont'd)

Principle 2: Board Composition and Guidance (cont'd)

The independence of each Director is reviewed annually by the NC, in accordance with Guideline 2.1 of the Code of Corporate Governance. The Board considers an "independent" Director as one who has no relationship with ISDN, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment of the conduct of the Group's affairs. The Board is independent from Management. No individual or small group of individuals is allowed to dominate the Board's decision making.

The composition of the Board is reviewed on an annual basis by NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Chairman's primary function is to manage the business of the Board and the Board committees, and to promote harmonious relations with the shareholders. In respect of the Chairman's role with regard to Board proceedings, the Chairman being an Independent Director:

- schedules meetings that enable the Board to perform its duties responsibly while not interfering with the flow of ISDN's operations;
- prepares meeting agenda;
- exercises control over quality, quantity and timeliness of the flow of information between Management and the Board;
- assists in ensuring compliance with ISDN's guidelines on corporate governance;
- facilitates the effective contribution of Non-Executive and Independent Directors in particular;
- encourages constructive relations between Executive Directors, Non-Executive and Independent Directors;
- acts on the results of the performance evaluation; and
- where appropriate, proposes new members be appointed to the Board or seeks the resignation of Directors, in consultation with the NC.

There is a clear division of responsibilities at the top management with clearly defined lines of responsibility between the Board and executive functions of the management of ISDN's business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of executive management performance on a periodic basis.

The role of the Chairman and Executive Directors are separate. Lim Siang Kai, the non-executive Chairman, is consulted on the business of the Board and the Board committees. The Group's strategic direction, formulation of policies and day-to-day operation of the Group is entrusted to the President and Managing Director Teo Cher Koon. He is assisted by an experienced and qualified team of executive officers of the Group.

2 Nominating Committee

Principle 4: Board Membership

There should be a formal and transparent process for the appointment of new directors to the Board.

The NC comprises one Executive Director and two Independent Directors, one of whom is also the Chairman of the Committee, namely:

Soh Beng Keng (Chairman)	Independent
Lim Siang Kai (Member)	Independent
Teo Cher Koon (Member)	Executive

The NC performs the following principal functions:

- reviews the structure, size and composition of the Board and makes recommendations to the Board;
- identifies candidates and reviews all nomination for the appointment and re-appointment of members of the Board;
- make plans for succession, in particular for the Chairman and President;
- determines annually whether or not a Director is independent in accordance with the guidelines of the Code;
- decides whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company; and
- assesses the effectiveness of the Board as a whole, as well as the contribution by each member of the Board.

The Board has the authority from time to time and at any time to appoint a person as a Director to fill a casual vacancy or as an addition to the Board. Any new Directors appointed during the year shall only hold office until the next Annual General Meeting (“AGM”) and submit themselves for re-election and shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the position. The NC then nominates the most suitable candidate.

Article 107 of ISDN’s Articles of Association requires one third of the Board other than the Managing Director to retire by rotation at every AGM. The Directors must present themselves for re-nomination and re-election at regular intervals of at least once every three years.

In reviewing the nomination of the retiring Directors, the NC considered the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and effort devoted to the Group’s business and affairs, especially the operational and technical contributions.

When a Director has multiple board representations, he or she ensures that sufficient time and attention is given to the affairs of each company.

2 Nominating Committee (cont'd)

Principle 5: Board Performance

There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC decides how the Board should be evaluated and selects a set of performance criteria that is linked to long-term shareholders' value to be used for performance evaluation of the Board. The criteria are objective and are not changed regularly.

The Board is being assessed based on the following criteria:

1. Timely guidance to Management
2. Attendance at Board/Committee meetings
3. Participation at Board/Committee meetings
4. Commitment to Board activities
5. Independence of Independent Directors
6. Appropriate complement of skill, experience and expertise on the Board

Each Board member is asked to assess the effectiveness of the Board as a whole. The ratings are then averaged out to finalise the assessment.

3 Access to Information

Principle 6: Access to Information

In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board is provided with adequate information, management accounts, financial and corporate reports in a timely manner by Management to the Directors on matters to be deliberated, thus facilitating informed decision-making. Directors are also updated on initiatives and developments for the Group's business whenever possible on an on-going basis.

The Board has separate and independent access to ISDN's senior management and the Company Secretary. The Company Secretary attends the Board and Board committee meetings and is responsible for ensuring that board procedures are followed in accordance with the Memorandum and Articles of Association of ISDN, and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management, Non-Executive and Independent Directors, as well as facilitating orientation and assisting with professional development as required. The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

Management will, upon direction by the Board, assist the Directors, either individually or as a group, to get independent professional advice in furtherance of their duties, at ISDN's expense.

4 Remuneration Matters

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises one Non-Executive Director and two Independent Directors, one of whom is also the Chairman of the Committee, namely:

Soh Beng Keng (Chairman)	Independent
Lim Siang Kai (Member)	Independent
Tay Gim Sin Leonard (Member)	Non-Executive

The role of the RC is to review and recommend remuneration policies and packages for Directors and key executives and to disseminate proper information on transparency and accountability to shareholders on issues of remuneration of the Executive Directors of the Group and employees related to the Executive Directors and controlling shareholders of the Group.

RC's review covers all aspect of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, long term incentive schemes, including share schemes and benefits-in-kind. Recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No Director is involved in deciding his own remuneration.

Primary functions to be performed by RC:

- reviews and recommends to the Board, a framework of remuneration for the Board and key executives;
- reviews the level of remuneration that are appropriate to attract, retain and motivate the directors and key executives;
- ensures adequate disclosure on Directors' remuneration;
- reviews and administers the ISDN Holdings Share Option Scheme and ISDN Performance Share Scheme (the "Schemes") adopted by the Group and decides on the allocations and grants of options to eligible participants under the Scheme; and
- recommends to the Board any long-term incentive schemes which may be set up from time to time and does all acts necessary in connection therewith.

The ISDN Holdings Share Option Scheme and ISDN Performance Share Scheme are currently not utilised.

Principle 8: Level and Mix of Remuneration

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Company sets remuneration packages to ensure that it is competitive and sufficient to attract, retain and motivate directors and executive officers of required experience and expertise to run the Group successfully.

The Independent and Non-Executive Directors receive directors' fees, in accordance with their level of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. The directors' fees are recommended by the Board for approval at the AGM.

The Executive Directors of the Company, Mr Teo Cher Koon and Mr Kong Deyang have entered into separate service agreements with the Company for an initial period of three years (unless otherwise terminated by either party giving not less than six months' notice to each other). The service agreements cover the terms of employment and specifically, the salaries and bonuses. Reviews of their remuneration packages are discussed and approved by the RC.

4 Remuneration Matters (cont'd)

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

(a) The following table shows a breakdown of the annual remuneration (in percentage terms) of directors of the Company for the financial year under review.

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
$500,000 and above					
Teo Cher Koon	53	47	-	-	100
$250,000 to $499,999					
Kong Deyang	35	53	-	12	100
Below $250,000					
Lim Siang Kai	-	-	100	-	100
Soh Beng Keng	-	-	100	-	100
Tay Gim Sin Leonard	-	-	100	-	100

(b) The following table shows a breakdown of the annual remuneration (in percentage terms) of five key executives of the Group for the financial year under review.

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
Below $250,000					
Individual A	31	69	-	-	100
Individual B	68	26	-	6	100
Individual C	74	26	-	-	100
Individual D	56	-	37	7	100
Individual E	46	54	-	-	100

It is not in the best interests of the Company to set out names of its key executives due to the sensitive nature of this information and to prevent solicitation of key executives by the Company's competitors.

(c) The following table shows a breakdown of the annual remuneration (in percentage terms) of an immediate family member of a director and whose remuneration exceeds S$150,000 for the financial year under review.

	Salary	Bonus	Directors Fees	Other Benefits	Total
	%	%	%	%	%
Thang Yee Chin	79	21	-	-	100

Thang Yee Chin is a Director of six of the subsidiaries and oversees the administrative and accounting functions in these companies. She is the spouse of ISDN's President and Managing Director, Teo Cher Koon. Her remuneration does not exceed S$190,000 for the financial year under review.

5 Accountability and Audit

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to shareholders for the stewardship of the Group. The Board updates shareholders on the operations and financial position of ISDN through half-year and full-year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. Management is accountable to the Board by providing the Board with the necessary financial information for the discharge of its duties.

Presently, Management presents to the AC the half-year and full-year results and the AC reports on the results to the Board for review and approval before releasing the results to the SGX-ST and public via SGXNET.

Principle 11: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises one Non-Executive Director and two Independent Directors, one of whom is also the Chairman of the Committee. The members of the AC as at the date of this report are as follows:

Lim Siang Kai (Chairman)	Independent
Soh Beng Keng (Member)	Independent
Tay Gim Sin Leonard (Member)	Non-Executive

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the Group's material internal controls, including financial, operational, compliance and risk management controls at least once annually, to safeguard ISDN's assets and maintain adequate accounting records, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group.

The AC has the authority to investigate any matter within its terms of reference, gain full access to and co-operation by Management, exercise full discretion to invite any Director or executive officer to attend its meetings, and gain reasonable access to resources to enable it to discharge its function properly.

The AC will meet with the external auditors without the presence of Management at least once a year to review the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors. There are meetings between the AC and internal auditors with the presence of Management.

The AC has undertaken a review of all non-audit services provided by the external auditors and is of the opinion that the provision of such services would not affect the independence of the auditors. Non-audit fees paid to the external auditors during the year under review was S$42,000.

5 Accountability and Audit (cont'd)

Principle 11: Audit Committee (cont'd)

In performing those functions, the AC reviews:

- with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to Management and Management's response;
- the financial statements of ISDN and the consolidated financial statements of the Group before their submission to the Board of Directors;
- the announcements of financial performances;
- discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations;
- potential conflicts of interest (if any);
- the adequacy of the internal audit function and the effectiveness of ISDN's material internal controls;
- independence of the external auditors;
- interested person transactions;
- the internal control procedures and ensure co-operation given by Management to the external auditors;
- the appointment and re-appointment of external and internal auditors of ISDN's and the audit fees; and
- undertake such other functions and duties as requested by the Board and as required by statute or Listing Manual.

The internal and external auditors have full access to the AC who has the express power to conduct or authorise investigations into any matters within its terms of reference. Minutes of the AC meetings will be regularly submitted to the Board for its information.

The AC has reviewed the Group's risk assessment, and based on the audit reports and management controls in place, is satisfied that there are adequate internal controls in the Group.

The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities.

All three AC members have accounting or related financial management expertise or experience, as the Board interprets such qualifications in its business judgment.

The AC is in the process of establishing the whistle blowing policy where serious concerns relating to financial reporting, unethical or illegal conduct can be reported.

6 Internal Control and Audit

Principle 12: Internal Controls

The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Principle 13: Internal Audit

The Company should establish an internal audit function that is independent of the activities it audits.

The Board is cognizant of its responsibility to maintain a sound system of internal controls to safeguard the shareholders' investment and the Group's assets and business. ISDN's outsourced internal auditors, Wensen Consulting Asia Pte Ltd, and external auditors, Moore Stephens, carry out a review of the effectiveness of ISDN's material internal controls, annually to the extent of their scope laid out in their audit plan. Material non-compliance and internal control weaknesses are reported to the AC members. For the financial year under review, the Board is of the view that based on the reports from the auditors, the system of internal controls that has been maintained by ISDN's Management during the financial year is adequate to meet the needs of ISDN. The Board shall consider expanding its internal audit resources as and when the need arises.

The internal Auditors meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal audit function is adequately resourced and has appropriate standing within the Company.

CORPORATE GOVERNANCE REPORT

7 Communication with Shareholders

Principle 14: Communication with Shareholders

Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Greater Shareholder Participation

Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

ISDN is committed to timely dissemination of information and proper transparency and disclosure of relevant information to SGX-ST, shareholders, analysts, the public and its employees.

Information is communicated to shareholders and the public through the following channels:

Notice of Annual General Meeting ("AGM") and Annual Reports are issued to all shareholders. The Board strives to ensure that these reports include all relevant information on the Group, including current developments, strategic plans and disclosures required under the Companies Act, Singapore Financial Reporting Standards, Listing Manual of the SGX-ST and other relevant statutory and regulatory requirements;

- Price sensitive announcement of interim and full year results released through SGXNET;
- Disclosures on the SGXNET;
- Press releases;
- Press and analysts' briefings as may be appropriate; and
- The Group's website (www.ISDNholdings.com) where shareholders and the public may access information on the Group.

There are separate resolutions at general meetings on each substantially separate issue.

All shareholders are welcome to attend the AGM. Each shareholder is allowed to vote in person or via proxy. Each shareholder shall not be entitled to appoint more than two proxies.

The Board of Directors, AC members and other committee members, Vice President of Finance, Auditors and the Company Secretary/ Secretaries will be present and be available to address any questions from shareholders regarding the Group and its businesses.

8 Material Contracts

No material contracts were entered into between ISDN or any of its subsidiaries involving the interests of any Director or controlling shareholder, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year except for related party transactions and Director's remuneration as disclosed in the financial statements and the following:

In October 2007, Motion Control Group Pte Ltd ("MCG"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr Teo Cher Koon, the managing director of the Company, pursuant to which MCG shall acquire from Mr Teo a 49% equity interest in Dirak Asia Pte Ltd ("Dirak Asia"), a company incorporated in Singapore, for a purchase consideration of S$11.76 million. The purchase consideration was determined based on the valuation Dirak as agreed between the parties, on a willing buyer and willing seller basis, and is to be satisfied by the issue of 13,375,800 new shares in the capital of the Company and the payment of S$5.88 million in cash.

The acquisition was completed and approved by shareholders of the Company in an Extraordinary General Meeting held in January 2008. The consideration shares of 13,375,800 were alloted and issued at S$0.4396 each upon the completion of the acquisition whilst the cash consideration will be paid in milestones according to the terms of the sale and purchase agreement.

9 Interested Person Transactions

ISDN has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are at arm's length basis. All interested person transactions are subject to review by the AC to ensure compliance with established procedures.

Aggregate value of interest person transactions entered for the financial year under review:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	S$'000	S$'000
Name of interested person		
Resem Technologies Pte Ltd	273	-

10 Dealings in Securities

In line with SGX-ST Best Practices Guide on Dealings in Securities, the Group has adopted and implemented an internal compliance of the Code which prohibits securities dealings by Directors and employees while in possession of unpublished price-sensitive information.

Directors, executives and any other employees who have access to material price-sensitive information are prohibited from dealing in securities of ISDN prior to the announcement of a matter that involves material unpublished price-sensitive information. They are also prohibited from dealing in ISDN's securities during the period one month before the announcement of ISDN's half-year and full-year financial results and ending on the day of the announcement of the half-year and full-year results.

The Company reminds their officers that the law on insider dealing is applicable at all times, notwithstanding that their internal codes may provide certain window periods for them or their officers to deal in their securities.

An officer does not deal in his company's securities on short-term considerations.

The Group has complied with the Rule 1207(18) of the Listing Manual.

11 Risk Management

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

12 Use of Placement Proceeds

The Company successfully completed two placements of 12 million new shares each placement at S$0.48 per share which raised about S$11 million net proceeds in total during the financial year under review. The uses of the net proceeds of the placement as at the date of this report are as follow:

For issuance of 12 million new shares at S$0.48 each completed on 20 April 2007:

Earmarked purpose	Amount set aside per additional listing application	Amount used	Remaining amount
	S$'000	S$'000	S$'000
Mergers and acquisitions	1,000	1,000	-
Acquisition of Excel Best Industries (Suzhou) Co., Ltd	1,500	1,500	-
Working capital	3,051	3,051	-
Total net proceeds	5,551	5,551	-

To date, all of the placement proceeds have been utilised.

For issuance of 12 million new shares at S$0.48 each completed on 17 May 2007:

Earmarked purpose	Amount set aside per additional listing application	Amount used	Remaining amount
	S$'000	S$'000	S$'000
Mergers and Acquisitions	1,342	1,342	-
Working capital	4,163	4,163	-
Total net proceeds	5,505	5,505	-

To date, all of the placement proceeds have been utilised.

REPORT OF THE DIRECTORS
31 December 2007

The directors submit this Annual Report to the members together with the audited consolidated financial statements of the Group and the financial statements of the Company for the financial year ended 31 December 2007.

1 Names of Directors

The directors of the Company at the date of this report are:

Teo Cher Koon	(Managing director)
Lim Siang Kai	(Chairman and Independent director)
Kong Deyang	(Executive director)
Soh Beng Keng	(Independent director)
Tay Gim Sin Leonard	(Non-executive director)

2 Arrangements to Enable Directors to Acquire Shares or Debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body.

3 Directors' Interests in Shares or Debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year was interested in shares of the Company and its related corporations except as follows:

	Number of ordinary shares registered in the name of director		
	As at 1.1.2007	As at 31.12.2007	As at 21.1.2008
The Company -			
ISDN Holdings Limited			
Teo Cher Koon	94,154,700*	91,654,700*	105,030,500*
Kong Deyang	1,600,000	1,600,000	1,600,000
Tay Gim Sin Leonard	264,000	264,000	264,000
The holding company -			
Assetraise Holdings Limited			
Teo Cher Koon	1	1	1

* Shares in which director is deemed to have an interest

Mr Teo Cher Koon, by virtue of the provisions of Section 7 of the Companies Act, Cap. 50, is deemed to have an interest in all the subsidiaries of the Company.

4 Directors' Benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50 except as disclosed in the financial statements.

5 Share Options

No options to take up unissued shares of the Company or of its subsidiaries have been granted during the financial year.

No shares were issued by virtue of the exercise of options to take up unissued shares of the Company or of its subsidiaries during the financial year.

There were no unissued shares of the Company or of its subsidiaries at the end of the financial year.

6 Audit Committee

The Audit Committee comprises the following members:

Lim Siang Kai	(Chairman and Independent director)
Soh Beng Keng	(Independent director)
Tay Gim Sin Leonard	(Non-executive director)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance.

Functions performed by the Audit Committee are described in the Corporate Governance Report included in this Annual Report.

The Audit Committee has recommended to the Board of Directors that, Moore Stephens, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

7 Auditors

The independent auditors, Moore Stephens, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

....
LIM SIANG KAI

....
TEO CHER KOON

Singapore
28 March 2008

STATEMENT BY DIRECTORS
31 December 2007

In the opinion of the directors, the accompanying balance sheets, income statements, statements of changes in equity and the consolidated cash flow statement, together with the notes thereon, as set out on pages 42 to 94, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007, and of the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

..................……….....……...........
LIM SIANG KAI

..................……….....……...........
TEO CHER KOON

Singapore
28 March 2008

INDEPENDENT AUDITORS' REPORT

To the Members of ISDN Holdings Limited

We have audited the accompanying financial statements of ISDN Holdings Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 42 to 94, which comprise the balance sheets of the Group and of the Company as at 31 December 2007, and the income statements and statements of changes in equity of the Group and of the Company and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements for the financial year ended 31 December 2006 were audited by other auditors whose report dated 26 March 2007 expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

(a) the consolidated financial statements of the Group and the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Moore Stephens
Public Accountants and
Certified Public Accountants

Singapore
28 March 2008

INCOME STATEMENTS
For the Financial Year Ended 31 December 2007

		Group		Company	
	Note	2007	2006	2007	2006
		S$'000	S$'000 (Restated)	S$'000	S$'000
Revenue	4	102,856	74,520	-	-
Cost of sales		(76,012)	(51,771)	-	-
Gross profit		26,844	22,749	-	-
Other operating income	5	735	744	2,378	3,618
Distribution costs		(2,518)	(2,276)	(4)	(11)
Administrative expenses		(14,980)	(11,453)	(717)	(352)
Other operating expenses		(817)	(854)	(1)	(44)
Finance costs	6	(435)	(259)	-	-
Share of profits of associates		98	9	-	-
Profit before income tax	7	8,927	8,660	1,656	3,211
Income tax	9	(1,890)	(1,688)	-	(14)
Profit for the year		7,037	6,972	1,656	3,197
Attributable to:					
Equity holders of the Company		5,607	6,170	1,656	3,197
Minority interests		1,430	802	-	-
		7,037	6,972	1,656	3,197
		Singapore cents			
Earnings per share:	10				
Basic		3.21	3.89		
Diluted		3.21	3.89		

BALANCE SHEETS
As at 31 December 2007

	Note	Group 2007 S$'000	Group 2006 S$'000 (Restated)	Company 2007 S$'000	Company 2006 S$'000
ASSETS					
Non-current Assets					
Property, plant and equipment	11	8,480	6,855	-	-
Investment properties	12	617	634	-	-
Goodwill	13	149	149	-	-
Subsidiaries	14	-	-	17,083	10,249
Associates	15	1,163	958	-	-
Total non-current assets		10,409	8,596	17,083	10,249
Current Assets					
Inventories	16	16,996	12,254	-	-
Trade and other receivables	17	22,186	16,529	264	196
Amount owing by subsidiaries	14	-	-	1,656	1,642
Dividend receivable		-	-	5,408	3,480
Cash and cash equivalents	18	17,404	9,848	1,600	1,068
Total current assets		56,586	38,631	8,928	6,386
Total Assets		66,995	47,227	26,011	16,635
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	19	24,209	13,219	24,209	13,219
Reserves	20	11,062	8,805	1,547	3,236
		35,271	22,024	25,756	16,455
Minority interests		3,507	2,626	-	-
Total Equity		38,778	24,650	25,756	16,455
Non-current liabilities					
Bank borrowings	21	1,145	2,245	-	-
Finance leases	22	196	20	-	-
Deferred tax liabilities	23	50	68	-	-
Total non-current liabilities		1,391	2,333	-	-
Current Liabilities					
Bank borrowings	21	5,859	3,250	-	-
Finance leases	22	47	25	-	-
Trade and other payables	24	19,846	13,362	253	166
Dividend payable		-	2,390	-	-
Current income tax payable		1,074	1,217	2	14
Total current liabilities		26,826	20,244	255	180
Total Liabilities		28,217	22,577	255	180
Total Equity and Liabilities		66,995	47,227	26,011	16,635

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2007

	Share capital	Share premium	Merger reserve	Exchange translation reserve	Other reserves	Retained profits	Total	Minority interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group									
Balance at 1 January 2007 (As previously reported)	13,219	-	(436)	(500)	81	9,660	22,024	883	22,907
Restatement of balance of minority interests (Note 33)	-	-	-	-	-	-	-	1,743	1,743
Balance at 1 January 2007 (Restated)	13,219	-	(436)	(500)	81	9,660	22,024	2,626	24,650
Net gain recognised directly in equity									
- foreign currency translation differences	-	-	-	(5)	-	-	(5)	8	3
Profit for the year	-	-	-	-	-	5,607	5,607	1,430	7,037
Total recognised income for the year	-	-	-	(5)	-	5,607	5,602	1,438	7,040
New/Additional investment in subsidiaries	-	-	-	-	-	-	-	138	138
Dividends to minority shareholders	-	-	-	-	-	-	-	(695)	(695)
Share placement proceeds	11,520	-	-	-	-	-	11,520	-	11,520
Share placement expenses	(530)	-	-	-	-	-	(530)	-	(530)
Transfer to other reserves	-	-	-	-	696	(696)	-	-	-
2006 final dividend of S$0.0183 per share less tax of 20% paid	-	-	-	-	-	(3,345)	(3,345)	-	(3,345)
Balance at 31 December 2007	24,209	-	(436)	(505)	777	11,226	35,271	3,507	38,778
Balance at 1 January 2006 (As previously reported)	7,940	5,279	(436)	(365)	81	6,395	18,894	419	19,313
Restatement of balance of minority interests (Note 33)	-	-	-	-	-	-	-	1,551	1,551
Balance at 1 January 2006 (Restated)	7,940	5,279	(436)	(365)	81	6,395	18,894	1,970	20,864
Net gain recognised directly in equity									
- foreign currency translation differences	-	-	-	(135)	-	-	(135)	21	(114)
Profit for the year	-	-	-	-	-	6,170	6,170	802	6,972
Total recognised income for the year	-	-	-	(135)	-	6,170	6,035	823	6,858
Adjustment arising from abolition of par value of shares	5,279	(5,279)	-	-	-	-	-	-	-
New/Additional investment in subsidiaries	-	-	-	-	-	-	-	447	447
Dividends to minority shareholders	-	-	-	-	-	-	-	(614)	(614)
2005 final dividend of S$0.0182967 per share less tax of 20% paid	-	-	-	-	-	(2,905)	(2,905)	-	(2,905)
Balance at 31 December 2006 (Restated)	13,219	-	(436)	(500)	81	9,660	22,024	2,626	24,650

STATEMENTS OF CHANGES IN EQUITY
For the Financial Year Ended 31 December 2007

	Share capital	Share premium	Retained profits	Total equity
	S$'000	S$'000	S$'000	S$'000
Company				
Balance at 1 January 2007	13,219	-	3,236	16,455
Profit for the year	-	-	1,656	1,656
Share placement proceeds	11,520	-	-	11,520
Share placement expenses	(530)	-	-	(530)
2006 final dividend of S$0.0183 per share less tax of 20% paid	-	-	(3,345)	(3,345)
Balance as at 31 December 2007	24,209	-	1,547	25,756
Balance at 1 January 2006	7,940	5,279	2,944	16,163
Profit for the year	-	-	3,197	3,197
Adjustment arising from abolition of par value of shares	5,279	(5,279)	-	-
2005 final dividend of S$0.0182967 per share less tax of 20% paid	-	-	(2,905)	(2,905)
Balance as at 31 December 2006	13,219	-	3,236	16,455

CONSOLIDATED CASH FLOW STATEMENT
For the Financial Year Ended 31 December 2007

	2007	2006
	S$'000	S$'000 (Restated)
Cash Flows from Operating Activities		
Profit before income tax	8,927	8,660
Adjustments for:		
Depreciation of property, plant and equipment	672	575
Depreciation of investment properties	17	17
Property, plant and equipment written off	11	2
Goodwill written off	-	1
Loss on liquidation of an associate	4	-
Allowance for impairment on investment in an associate	-	7
Gain on sale of share of other investments	-	(100)
Allowance for inventories obsolescence	67	44
Allowance for impairment of trade receivables	15	11
Bad trade receivables written off	8	28
Interest expense	435	259
Interest income	(124)	(124)
Share of profits of associates	(98)	(9)
Foreign currency translation differences	(71)	29
Operating cash flow before working capital changes	9,863	9,400
Increase in inventories	(4,809)	(3,445)
Increase in trade and other receivables	(5,889)	(1,555)
Increase in trade and other payables	6,716	1,702
Cash generated from operations	5,881	6,102
Interest paid	(435)	(259)
Interest received	124	124
Income tax paid	(2,051)	(3,035)
Net cash generated from operating activities	3,519	2,932
Cash Flows from Investing Activities		
Purchase of property, plant and equipment (Note A)	(1,161)	(2,448)
Proceeds from disposal of property, plant and equipment	-	22
Cash outflow on acquisition of subsidiaries (Note B)	(791)	(18)
Investment in associates	(117)	(900)
Net cash used in investing activities	(2,069)	(3,344)
Cash Flows from Financing Activities		
Net proceeds from issue of new shares	10,990	-
Share issue costs	-	(35)
Dividends paid	(5,735)	(4,905)
Investment in subsidiaries by minority shareholders	138	339
Dividends to minority shareholders	(695)	(614)
Loan to an associate	-	(39)
Proceeds from short-term loans, net*	2,727	242
Proceeds from bank loans	-	1,251
Repayment of bank loans	(1,194)	(259)
Trust receipts	24	-
Repayment to finance lease creditors	(101)	(33)
Net cash generated from/(used in) financing activities	6,154	(4,053)
Net increase/(decrease) in cash and cash equivalents	7,604	(4,465)
Cash and cash equivalents at beginning of year	9,800	14,265
Cash and cash equivalents at end of year (Note 18)	17,404	9,800

* Short-term loans are with a maturity period of three months or less

Note A:
During the financial year, the Group acquired property, plant and equipment with an aggregate cost of S$1,460,000 (2006: S$2,448,000) which was funded as follows:

	2007	2006
	S$'000	S$'000 (Restated)
Cash	1,161	2,448
Finance leases	299	-
	1,460	2,448

Note B:
The Group acquired certain subsidiaries during the financial year. The carrying amounts, which approximate the fair values of the assets acquired and liabilities assumed in the acquisitions, were as follows:

	2007	2006
	S$'000	S$'000
Property, plant and equipment	791	7
Inventories	-	8
Trade and other receivables	-	2
Trade and other payables	-	(26)
Cash and cash equivalents	892	5
Identifiable net assets/(liabilities)	1,683	(4)
Minority interests	-	1
Identifiable net assets/(liabilities) acquired	1,683	(3)
Goodwill arising on consolidation (Note 13)	-	26
Purchase considerations	1,683	23
Less: Cash and cash equivalents acquired	(892)	(5)
Cash outflow on acquisition of subsidiaries	791	18

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

1 General

The Company is a public limited liability company incorporated and domiciled in Singapore and is listed on the SGX-ST Mainboard. The registered office of the Company is located at No. 10 Kaki Bukit Road 1, #01-30 KB Industrial Building, Singapore 416175.

The immediate and ultimate holding company is Assetraise Holdings Limited, a company incorporated in the British Virgin Islands. Assetraise Holdings Limited is beneficially owned entirely by Mr Teo Cher Koon, the managing director of the Company.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are set out in Note 14.

The consolidated financial statements of the Group and the financial statements of the Company for the financial year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

2 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared under the historical convention except as disclosed in the summary of significant accounting policies set out in Note 3.

(a) Adoption of New or Revised Standards

New or revised FRS and Interpretations to FRS (“INT FRS”)

For the financial year ended 31 December 2007, the Group has adopted the new or revised FRS and INT FRS that are mandatory for application in the said year and which are relevant to the Group as follows:

Amendments to FRS 1	*Presentation of Financial Statements - Capital Disclosures*
FRS 40	*Investment Property*
FRS 107	*Financial Instruments: Disclosures*
INT 110	*Interim Financial Reporting and Impairment*

The adoption of the above new and revised FRS and INT FRS did not result in any substantial changes to the Group’s accounting policies nor any financial impact on the financial statements. The adoption of FRS 40 is further described in Note 3(c).

2 Basis of Preparation (cont'd)

(a) Adoption of New or Revised Standards (cont'd)

New or revised FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the following new or revised FRS which are relevant to the Group were in issue but not yet effective:

Amendments to FRS 23	Borrowing Costs
FRS 108	Operating Segments

The directors anticipate that adoption of the above new or revised FRS, which are effective for the Group's annual period beginning on 1 January 2009, will have no material financial impact to the financial statements in the period of initial application except for FRS 108 as described below.

FRS 108, which replaces FRS 14 Segment Reporting, requires the identification and reporting of operating segments based on the information used internally by the Group's chief operating decision maker in order to evaluate segment performance and deciding on allocation of resources. The impact of this standard on segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial results or financial position of the Group when implemented in 2009.

(b) Significant Accounting Estimates and Judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgements are described below:

Critical assumptions used and accounting estimates in applying accounting policies

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated, using the straight-line method, over their estimated useful lives. Management estimates the useful lives of the Group's property, plant and equipment to be within 1 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Critical judgements in applying accounting policies

Impairment of property, plant and equipment and investment properties

The Group assesses annually whether property, plant and equipment and investment properties have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment and investment properties have been determined based on value in use calculations. These calculations require the use of judgement and estimates.

2 Basis of Preparation (cont'd)

(b) Significant Accounting Estimates and Judgements (cont'd)

Critical judgements in applying accounting policies (cont'd)

Impairment of investments in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value in use of that investment. The value in use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of these investments based on such estimates.

Allowance for inventories obsolescence

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost and record an allowance against the inventories for any such declines. These reviews require the use of judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

Allowance for impairment of receivables

The Group makes allowance for impairment of receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying amounts of trade and other receivables in the period in which such estimate has been changed.

3 Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries made up to the financial year ended 31 December.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of the subsidiaries acquired or disposed of during the year are included or excluded from the consolidated income statement from the effective date in which control is transferred to the Group or which control ceases respectively.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Where accounting policies of a subsidiary do not conform with those of the Group, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and they are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity.

3 Summary of Significant Accounting Policies (cont'd)

(b) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged so as to write off the cost these assets over their estimated useful lives, using the straight-line method, as follows:

Freehold building	50 years
Leasehold properties	remaining lease period of 45 years to 50 years
Renovations	5 to 8 years
Motor vehicles	5 to 6 years
Plant and equipment	5 to 6 years
Furniture, fittings and office equipment	1 to 6 years

Freehold land has an unlimited useful life and therefore is not depreciated.

Land use rights are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The land use rights are depreciated, using the straight-line method, over the remaining lease period of 48 years.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

For acquisitions and disposals of property, plant and equipment during the year, depreciation is provided from the year of acquisition and to the year before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

The residual values, useful lives and depreciation method of property, plant and equipment are reviewed at each year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(c) Investment Properties

Investment properties are those properties that are held on a long-term basis for their investment potential and/or for the generation of rental income, and not occupied substantially for use by, or in the operations of the Group.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of these assets over their estimated useful lives of 50 years, using the straight-line method. Cost includes purchase price, appropriate legal fees and stamp duty.

For the financial year ended 31 December 2007, the Group has adopted the new FRS 40 which permits investment property to be stated at either fair value or cost model. The Group has elected to adopt the cost model as it is consistent with the Group's current policy described above and therefore the adoption of FRS 40 did not result in any change to the Group's accounting policy nor any financial impact to the financial statements.

(d) Goodwill

Goodwill acquired in a business combination is initially recognised at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is recognised in the income statement on the date of acquisition.

3 Summary of Significant Accounting Policies (cont'd)

(e) Subsidiaries

A subsidiary is defined as a company in which the investing company has a long-term equity interest of more than 50% or over whose financial and operating policy decisions the Group controls.

In the Company's balance sheet, investment in subsidiaries is stated at cost less allowance for any impairment losses on an individual subsidiary basis.

(f) Associates

An associate is defined as a company, not being a subsidiary, in which the Group has a long-term interest of 20% to 50% of the equity and over whose financial and operating policy the Group exercises significant influence.

Associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates. Under the equity method of accounting, the Group's investment in associates are measured in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in the value of individual investments. Goodwill relating to an associate is included in the carrying amount of the investment and is assessed for impairment as part of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless the transactions provide evidence of an impairment of the asset transferred.

When the Group's share of losses of an associate equals or exceeds the carrying amount of an investment, the Group ordinarily discontinues including its share of further losses. The investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed. When the associate subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses recognised.

Where the accounting policies of an associate do not conform with those of the Group, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

(g) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3 Summary of Significant Accounting Policies (cont'd)

(g) Impairment of Non-Financial Assets (cont'd)

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised, if any, may no longer exist.

An impairment loss is charged to the income statement.

With the exception of goodwill,

- an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- a reversal of an impairment loss is credited as income in the income statement.

Impairment loss on goodwill charged to income statement is not subsequently reversed.

(h) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average method and includes freight and handling charges. In the case of manufactured inventories and work-in-progress, cost consists of cost of raw materials, direct labour and an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances and demand deposits/fixed deposits with a short maturity of three months or less. These include bank overdrafts which form part of the Group's cash management.

(k) Borrowings

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the year of the borrowings using the effective interest method.

Borrowing costs are charged to income statement except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3 Summary of Significant Accounting Policies (cont'd)

(l) Leases

Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

Operating leases

Where the Group is the lessor:

Assets leased out under operating leases are included in investment properties as referred to in (c) above. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Where the Group is the lessee:

Rentals on operating leases are charged to income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the income statement when incurred.

(m) Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The provisions are reviewed annually and where it is determined that the provision is inadequate or excessive, due adjustment is made.

(o) Financial Guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

3 Summary of Significant Accounting Policies (cont'd)

(p) Revenue Recognition

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services tax or value added tax as applicable to foreign subsidiaries and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated cost or the possible return of goods.

Revenue from the rendering of services that are of a short duration is recognised when the services are rendered.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Dividend income is recognised when the right to receive a dividend has been established.

(q) Employee Benefits

Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the law of the countries in which it has operations. In particular, the Singapore incorporated companies in the Group contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the income statement in the year to which the contributions relate.

Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave not utilised will be forfeited.

(r) Functional Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The consolidated financial statements of the Group and the financial statements of the Company are presented in Singapore dollars, to the nearest thousand, which is also the functional currency of the Company.

(s) Conversion of Foreign Currencies

Transactions in foreign currencies are recorded using the rate ruling on the date of transaction. At each balance sheet date, recorded monetary balances and balances carried at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All exchange differences are recorded in the income statement in the year in which they arise.

Assets and liabilities of foreign subsidiaries and associates are translated at the rate of exchange ruling at the balance sheet date. The income statement of foreign subsidiaries and associates are translated using the average monthly rates, which approximate to exchange rates prevailing at the dates of the transactions. Foreign currency translation adjustments arising are recorded directly in exchange translation reserve.

(t) Income Taxes

The liability method of tax effect accounting is adopted by the Group. Current income tax is provided at the current income tax rate based on the tax payable on the income for the year that is chargeable to tax. Deferred taxation is provided at the current income tax rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

3 Summary of Significant Accounting Policies (cont'd)

(t) Income Taxes (cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss). Deferred income tax is provided on all temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (unless the deferred tax asset arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

The statutory tax rates enacted at the balance sheet date are used to determine deferred taxation.

(u) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on competitive market prices. Segment results, assets and liabilities include items attributable to segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue, assets, liabilities and capital expenditures are based on the nature of the products and services provided by the Group. Segment revenue for geographical segments are based on the geographical location of the customers. The assets and capital expenditures are based on the location of these assets.

4 Revenue

Revenue represents invoiced value of goods delivered and integration services rendered less applicable goods and services tax.

Revenue of the Group by segmental analysis is set out in Note 26.

The accompanying notes form an integral part of the financial statements

5 Other Operating Income

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Interest income on:				
- bank deposits	123	123	37	60
- loan to an associate	1	1	-	-
Dividend income from subsidiaries	-	-	2,200	3,480
Operating lease income				
- investment properties	60	37	-	-
Gain on sale of shares of other investments	-	100	-	-
Write back of inventories obsolescence	12	34	-	-
Bad trade receivables recovered	7	11	-	-
Service income	379	315	-	-
Miscellaneous income:				
- subsidiaries	-	-	141	78
- associates	-	6	-	-
- a related party	34	22	-	-
- third parties	119	95	-	-
	735	744	2,378	3,618

6 Finance Costs

	Group	
	2007	2006
	S$'000	S$'000 (Restated)
Interest expense on:		
- term loan	422	251
- trust receipts	3	2
- finance lease	10	6
	435	259

7 Profit before Income Tax

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Profit before income tax has been arrived at after charging:				
Depreciation of property, plant and equipment included in administrative expenses	672	575	-	-
Depreciation of investment properties	17	17	-	-
Property, plant and equipment written off	11	2	-	-
Goodwill written off	-	1	-	-
Loss on liquidation of an associate	4	-	-	-
Bad trade receivables written off	8	28	-	-
Allowance for impairment included in other operating expenses:				
- on investment in an associate	-	7	-	-
- of trade receivables	15	11	-	-
Allowance for inventories obsolescence	67	44	-	-
Directors' fee	185	223	100	100
Employee benefits cost (Note 8)	10,131	7,611	-	36
Foreign exchange loss	67	150	1	44
Operating lease rentals	534	456	-	-

8 Employee Benefits Cost

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Directors' remuneration				
- salaries and related costs	2,018	1,165	-	36
- defined contribution plans	91	85	-	-
Key management personnel (other than directors)				
- salaries and related costs	604	542	-	-
- defined contribution plans	45	39	-	-
Other than directors and key management personnel				
- salaries and related costs	6,503	5,106	-	-
- defined contribution plans	870	674	-	-
	10,131	7,611	-	36

9 Income Tax

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Current income tax	1,882	1,691	-	14
Deferred taxation (Note 23)	16	33	-	-
	1,898	1,724	-	14
(Over)/Underprovision in respect of prior years:				
- current income tax	26	(47)	-	-
- deferred taxation (Note 23)	(34)	11	-	-
	1,890	1,688	-	14

9 Income Tax (cont'd)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate to profit before income tax as a result of the following differences:

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Profit before income tax	8,927	8,660	1,656	3,211
Tax at statutory rate of 18% (2006: 20%)	1,607	1,732	298	642
Tax effect of non-deductible expenses	302	154	101	79
Tax effect of non-taxable income	(15)	(20)	(396)	(696)
Effect of different tax rates of overseas subsidiaries	21	(133)	-	-
Singapore statutory stepped income exemption	(85)	(34)	(3)	(11)
Current year deferred tax benefits of subsidiaries not recognised	68	25	-	-
(Over)/Underprovision in respect of prior years:				
- current income tax	26	(47)	-	-
- deferred taxation	(34)	11	-	-
	1,890	1,688	-	14

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the current financial year ended 31 December 2007 onwards from 20% for the previous financial year ended 31 December 2006.

Subject to agreement with the relevant tax authorities, certain subsidiaries of the Group have unutilised tax losses amounting to S$681,000 (2006: S$304,000) which are available for offset against future taxable profits provided that the provisions of relevant countries' tax legislations are complied with. The related tax benefits of S$123,000 (2006: S$61,000) have not been recognised in the financial statements as there is no reasonable certainty of their realisation in the future periods.

10 Earnings Per Share

The basic earnings per share is calculated by dividing the Group's profit for the year attributable to the equity holders of the Company of S$5,607,000 (2006: S$6,170,000) by the weighted average number of ordinary shares in issue of 174,677,153 (2006: 158,798,700) during the financial year.

Diluted earnings per share for the financial years ended 31 December 2007 and 2006 is the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the said financial years.

11 Property, Plant and Equipment

	Freehold land	Land use rights	Freehold building	Leasehold properties	Renovations	Motor vehicles	Plant and equipment	Furniture, fittings and office equipment	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group									
2007									
Cost									
Balance at 1 January 2007	579	-	149	5,132	122	570	714	2,082	9,348
On acquisition of subsidiary	-	791	-	-	-	-	-	-	791
Additions	-	-	-	-	243	570	117	530	1,460
Written off	-	-	-	-	-	(25)	-	(18)	(43)
Translation adjustment	50	-	1	-	10	8	15	6	90
Balance at 31 December 2007	629	791	150	5,132	375	1,123	846	2,600	11,646
Accumulated depreciation									
Balance at 1 January 2007	-	-	30	635	43	301	110	1,374	2,493
Depreciation for the year	-	-	19	116	40	136	96	265	672
Written off	-	-	-	-	-	(21)	-	(11)	(32)
Translation adjustment	-	-	-	-	9	11	5	8	33
Balance at 31 December 2007	-	-	49	751	92	427	211	1,636	3,166
Net book value									
Balance at 31 December 2007	629	791	101	4,381	283	696	635	964	8,480
2006 (Restated)									
Cost									
Balance at 1 January 2006	526	-	153	3,947	35	444	178	1,638	6,921
On acquisition of subsidiaries	-	-	-	-	-	-	-	7	7
Additions	-	-	-	1,185	89	114	539	521	2,448
Disposals	-	-	-	-	-	-	(4)	(77)	(81)
Translation adjustment	53	-	(4)	-	(2)	12	1	(7)	53
Balance at 31 December 2006	579	-	149	5,132	122	570	714	2,082	9,348
Accumulated depreciation and impairment									
Balance at 1 January 2006	-	-	28	518	29	217	61	1,119	1,972
Depreciation for the year	-	-	3	117	17	77	50	311	575
Disposals	-	-	-	-	-	-	(2)	(53)	(55)
Translation adjustment	-	-	(1)	-	(3)	7	1	(3)	1
Balance at 31 December 2006	-	-	30	635	43	301	110	1,374	2,493
Net book value									
At 31 December 2006	579	-	119	4,497	79	269	604	708	6,855

11 Property, Plant and Equipment (cont'd)

The Group's freehold land and building and leasehold properties are set out below:

Description and location	Gross Area (approximately)	Use	Encumbrance
Freehold land			
4 Rai and 15 Square Wah Title deed number 37395 Bangkaew (Samrong Nok District) Bangplee (Prakanang, Samutprakarn Province), Thailand	69,535 sq. ft	Vacant land	Mortgaged for banking facilities
Freehold building			
H.S.(D) 224335 Lot No. PTD 41692 Mukim Senai-Kulai District Johore, Malaysia	3,000 sq. ft.	Office, workshop and warehouse	None
Leasehold properties			
No. 10 Kaki Bukit Road 1 #01-29 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	None
No. 10 Kaki Bukit Road 1 #01-30 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	None
No. 10 Kaki Bukit Road 1 #01-37 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities
No. 10 Kaki Bukit Road 1 #01-40 KB Industrial Building Singapore 416175	5,059 sq. ft.	Office, workshop and warehouse	Mortgaged for banking facilities

As at 31 December 2007, the net book value of the mortgaged properties set out above to secure the Group's bank borrowings as disclosed in Note 21 was S$1,766,000 (2006: S$5,195,000).

As at 31 December 2007, the net book value of motor vehicles and office equipment of the Group held under finance leases was S$307,000 (2006: S$77,000).

The Group has land use rights over a plot of vacant land in Wujiang City, Jiangsu in the People's Republic of China. The land use rights have a remaining lease period of 48 years.

12 Investment Properties

	Group 2007	Group 2006
	S$'000	S$'000 (Restated)
Cost		
Balance at 1 January and 31 December	834	834
Accumulated depreciation		
Balance at 1 January	200	183
Depreciation for the year	17	17
Balance at 31 December	217	200
Net book value		
Balance at 31 December	617	634

The Group applies the cost model for its investment properties. The directors are of the opinion that the carrying amount approximates the market value as at the balance sheet date.

The Group's investment properties are set out below:

Description and location	Gross Area (approximately)	Tenure	Use	Encumbrance
Leasehold properties				
No. 85 Genting Lane #05-01A Guan Hua Warehouse Building Singapore 349569	1,000 sq. ft	60 years expiring December 2041	Leased out to unrelated third party	None
No. 85 Genting Lane #05-01 Guan Hua Warehouse Building Singapore 349569	1,800 sq. ft	60 years expiring December 2041	Leased out to unrelated third party	None

During the financial year, rental income from the investment properties amounted to S$60,000 (2006: S$37,000); and direct operating expenses amounted to S$8,000 (2006: S$8,000).

13 Goodwill

	Group 2007 S$'000	Group 2006 S$'000 (Restated)
Balance at 1 January	149	16
On acquisition of subsidiaries	-	26
On acquisition of additional interests in existing subsidiaries	-	107
Balance at 31 December	149	149

The goodwill arising on consolidation relates to the excess of the cost of acquisitions over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired in the following subsidiaries:

	Group 2007 S$'000	Group 2006 S$'000 (Restated)
JM Vistec System Pte Ltd	48	48
JM Vistec (Suzhou) Co., Ltd	26	26
Servo Dynamics (Thailand) Co., Ltd	75	75
	149	149

The Group assessed the recoverable amount of goodwill based on value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 10% per annum. The growth rate used is based on historical growth and past experience and does not exceed the currently estimated long-term growth rate of the industries in which the aforesaid subsidiaries operate. The discount rates used ranged from 4% to 10% and have been applied to the cash flows. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

14 Subsidiaries

	Company	
	2007	2006
	S$'000	S$'000
Non-current assets		
Equity shares, at cost	6,590	6,590
Loan to a subsidiary	10,493	3,659
	17,083	10,249
Current assets		
Amounts owing by subsidiaries	1,656	1,642

The loan to a subsidiary, which is a quasi-equity loan, forms part of the Company's net investment in the subsidiary. The loan is unsecured and interest-free, and the settlement is neither planned nor likely to be settled in the foreseeable future. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost.

The amounts owing by subsidiaries are non-trade in nature, unsecured, interest-free, and are repayable on demand.

The subsidiaries are set out below:

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2007	2006	2007	2006	
		S$'000	S$'000	%	%	
Motion Control Group Pte Ltd (1)	Singapore	3,643	3,643	100	100	Investment holding
Servo Dynamics Pte Ltd (1)	Singapore	1,512	1,512	100	100	Importing, exporting, distributing, servicing and repairing of motion control and industrial computing products, electric motor and accessories, and providing integrated solutions
Portwell Singapore Pte Ltd (1)	Singapore	970	970	100	100	Providing integrated solutions of industrial computing software and hardware
Leaptron Engineering Pte Ltd (1)	Singapore	465	465	100	100	Importing, exporting, servicing and trading of automation products, and providing integrated solutions
		6,590	6,590			

14 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2007 S$'000	2006 S$'000	2007 %	2006 %	
Held by Motion Control Group Pte Ltd						
Precision Motion Control Pte Ltd (1)	Singapore	-	-	100	100	Importing, exporting, distributing, servicing and repairing of motion control products, electric motor and accessories, and providing integrated solutions
Servo Dynamics Co., Ltd. (2)	People's Republic of China	-	-	100	100	Manufacturing and selling of motion control products and China providing system integrated solutions
Servo Dynamics (Thailand) Co., Ltd (3)	Thailand	-	-	59.7	59.7	Carrying on the business of factory establishment for producing and trading electric appliances, including researching and producing the electric instruments of original machine
Servo Engineering (M) Sdn Bhd (4)	Malaysia	-	-	75	75	Engaging in the importing, exporting, purchasing, selling, distributing, servicing, repairing and otherwise dealing in automation products, amplifiers, gear boxes, electric motors and equipment and any parts or accessories used in connection therewith
JM Vistec System Pte Ltd (1)	Singapore	-	-	67	67	Trading and supplying of vision related products and industrial automation solutions
Servo Dynamics (H.K.) Limited (3)	Hong Kong	-	-	100	100	Trading in electronics products

14 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2007	2006	2007	2006	
		S$'000	S$'000	%	%	
Eisele Asia Co., Ltd (2)(5)	People's Republic of China	-	-	50	50	Manufacturing and selling of motion control products and providing engineering solutions
IGB (H.K.) Co., Ltd (3)	Hong Kong	-	-	51	51	Investment holding and provision of engineering solutions
USAS Motion Co., Ltd (3)	Hong Kong	-	-	95	95	Investment holding and provision of engineering solutions and supply special purpose motors
Servo Dynamics Sdn Bhd (3)(7)	Malaysia	-	-	100	-	Provision of integrated engineering solutions
Excel Best Industries (Suzhou) Co., Ltd (2)(8)	People's Republic of China	-	-	100	-	Land investment
IDI (INA) Laser Services Pvt Ltd (6)(7)	India	-	-	53.33	-	Provision of integrated engineering solutions and others
Weiyi M&E Equipment (Shanghai) Co., Ltd (2)(7)	People's Republic of China	-	-	51	-	Provision of other engineering solutions to packaging, textile and plastic industries in China
DKM South Asia Pte Ltd (1)(5)(7)	Singapore	-	-	50	-	Provision of DKM integrated engineering solutions and services
Suzhou PDC Co., Ltd (2)(7)	People's Republic of China	-	-	100	-	Land investment

14 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2007	2006	2007	2006	
		S$'000	S$'000	%	%	
Held by Servo Dynamics Pte Ltd						
Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou")(2)(5)(9) (Note 33)	People's Republic of China	-	-	50	48.75	Developing and trading in CNC, automation and electric products and other related products and accessories
Maxon Electronic Machine International Trade (Shanghai) Co., Ltd ("Maxon Shanghai") (2)(5)(9) (Note 33)	People's Republic of China	-	-	50	48.75	Engaging in international trade, entreport trade and trade between agencies with a principal business on mechanical and electronic products
Held by Servo Dynamics Co., Ltd.						
Chongqing Junzhi Automatic Instrument Control Co., Ltd (2)	People's Republic of China	-	-	100	100	Developing and selling of motion control products and providing system integrated solutions
Beijing Junyizhicheng Technology Developing Co., Ltd (2)	People's Republic of China	-	-	100	100	Manufacturing and selling of precise motion control products and providing system integrated solutions
Shenzhen Servo Dynamics Co., Ltd (2)	People's Republic of China	-	-	100	100	Supplying of precision motion control products and providing system integrated solutions
Shanghai Delta Automation International Trade Co., Ltd (2)	People's Republic of China	-	-	100	100	International trade and entreport trade

14 Subsidiaries (cont'd)

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2007	2006	2007	2006	
		S$'000	S$'000	%	%	
Beijing Bei Cheng Xin Kong Ci Fu Technology Co., Ltd [(2)(5)]	People's Republic of China	-	-	50	50	Carrying on the business of technology development, technology consultancy, technology transfer, technology training and technology services regarding digital controlled equipment and automatically controlled apparatus and selling of machinery equipment, electronic equipment, apparatus and instruments, electronics computer and accessories
<u>Held by JM Vistec System Pte Ltd</u>						
JM Vistec (Suzhou) Co., Ltd [(2)]	People's Republic of China	-	-	67	67	Trading and supplying of vision related products and industrial automation solutions
<u>Held by IGB (H.K.) Co., Ltd</u>						
SejinIGB (Suzhou) Co., Ltd [(2)]	People's Republic of China	-	-	51	51	Manufacturing and provision of engineering solutions
<u>Held by USAS Motion Co., Ltd</u>						
USAS Motion (Suzhou) Co., Ltd [(2)]	People's Republic of China	-	-	95	95	Manufacturing of special purpose motors and provision of engineering solutions

(1) Audited by Moore Stephens
(2) Audited by Moore Stephens Singapore for FRS consolidation purposes
(3) Audited by member firms of Moore Stephens International Limited in the respective countries
(4) Audited by SQ Morison
(5) With management control over the financial and operating policy decisions
(6) Audited by Kannan and Alamelu
(7) Incorporated during the financial year
(8) Acquired during the financial year
(9) The Group's effective interests in Maxon Suzhou and Maxon Shanghai were increased from 48.75% to 50% during the financial year due to a change in the indirect interests held by Interelectric AG ("Interelectric"), the minority shareholder of both of the subsidiaries, which arose from the transfer of shares in the subsidiaries from Interelectric to Dr Karl-Walter Braun, a controlling shareholder of Interelectric.

14 Subsidiaries (cont'd)

Acquisition of a subsidiary

The total consideration for a 100% equity interest in Excel Best Industries (Suzhou) Co., Ltd ("Excel Best") was paid by Motion Control Group Pte Ltd in cash on 29 June 2007 and it represented the fair value of the share of net identifiable assets acquired on that date.

From the date of acquisition, Excel Best has contributed a net loss of S$2,800 to the Group for the financial year ended 31 December 2007. If the acquisition had taken place at the beginning of the financial year, the Group's profit for the year would have been S$5,600,000 and revenue would have remained unchanged at S$102,856,000.

15 Associates

	Group	
	2007	**2006**
	S$'000	S$'000 (Restated)
Equity shares, at cost	1,026	994
Share of post-acquisition profits	105	7
Elimination of unrealised intra-group profits	(7)	(31)
Share of exchange translation reserve	(18)	(69)
	1,106	901
Less: Allowance for impairment	(7)	(7)
	1,099	894
Loan to an associate	64	64
	1,163	958

As at 31 December 2007, investment in associates includes goodwill of S$125,000 (2006: S$125,000).

The loan to an associate is unsecured and is repayable by July 2008. Interest is charged at 4.2% (2006: 4.2%) per annum.

The summarised financial information of the associates, not adjusted for the percentage of equity interest held by the Group, is as follows:

	Group	
	2007	**2006**
	S$'000	S$'000 (Restated)
Assets and Liabilities:		
- total assets	4,046	4,350
- total liabilities	1,319	2,110
Results:		
- revenue	5,506	3,153
- profit/(loss) for the year	665	(145)

15 Associates (cont'd)

The associates are set out below:

Name	Country of incorporation/ principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2007	2006	2007	2006	
		S$'000	S$'000 (Restated)	%	% (Restated)	
Held by Servo Dynamics Pte Ltd						
Maxonmotor Taiwan Co., Ltd (2)(6)	Republic of China (Taiwan)	117	-	50	-	Engaging in offering of maxon motor motion control solutions
Held by Motion Control Group Pte Ltd						
Servo-matic Technology (M) Sdn Bhd (1)	Malaysia	25	25	50	50	Carrying on all kinds of automation business, engineering works, trading import export design and servicing of industrial automation parts and all related fields
Precision Motion Control Phils. Inc. (3)	Philippines	9	9	40	40	Trading of goods such as electro-mechanical equipment and accessories installation on wholesale basis
IDI Laser Services Pte Ltd (4)	Singapore	700	700	33.33	33.33	Provision of laser marking services and import and export and supplier of laser machineries optical technology
Prestech Industrial Automation Pte Ltd (5)	Singapore	175	175	37.5	37.5	Design and customisation of aluminium profiles and providing other motion control related solutions
DBASIX Singapore Pte Ltd (2)	Singapore	*	-	50	-	Investment holding
		1,026	994			

15 Associates (cont'd)

Name	Country of incorporation /principal place of business	Cost of investment		Effective equity interest held by the Group		Principal activities
		2007	2006	2007	2006	
		S$'000	S$'000 (Restated)	%	% (Restated)	
Held by Leaptron Engineering Pte Ltd						
Nyquist Asia Pte Ltd [7]	Singapore	-	85	-	25	Marketing, distributing and providing technical support for machine and robot control systems

* Less than $1

(1) Audited by member firms of Moore Stephens International Limited in the respective country
(2) Unaudited as the first financial year end is on 31 December 2008
(3) Audited by SGV & Co
(4) Audited by Ong Teh & Co
(5) Audited by Trustnet Alliance
(6) Incorporated during the year
(7) Voluntarily liquidated on 15 November 2007

16 Inventories

	Group 2007	Group 2006
	S$'000	S$'000 (Restated)
Components parts	5,546	7,486
Finished goods	9,618	4,535
Work-in-progress	322	177
Goods-in-transit – finished goods	1,510	56
	16,996	12,254
Cost of inventories sold recognised as cost of sales in the income statement	75,926	51,771

As at 31 December 2007, an allowance of S$192,000 (2006: $125,000) was made on inventories regarded as slow moving.

During the financial year, a reversal of allowance for inventories of S$12,000 (2006: $34,000) was made when the related inventories were sold above their carrying amounts.

17 Trade and Other Receivables

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Trade receivables, net of impairment:				
- note receivables	917	898	-	-
- third parties	19,097	13,756	5	67
- associates	80	300	-	-
- related parties	16	77	-	-
	20,110	15,031	5	67
Advances to:				
- suppliers	562	340	-	-
- associates	18	-	-	-
- related parties	14	27	-	-
- a subsidiary	-	-	229	91
Interest receivable from an associate	-	1	-	-
Deposits	110	277	-	-
Prepayments	502	110	4	4
Loans to employees	-	41	-	-
Advances to employees	-	87	-	-
Tax recoverable	30	25	25	25
Other receivables	840	590	1	9
	22,186	16,529	264	196
Trade receivables factored to factoring institutions	-	170	-	-

Trade receivables are non-interest bearing and are usually due within 30-90 days.

The note receivables from banks, mature at varying dates between 2 January 2008 (2006: 21 January 2007), the earliest date and 27 June 2008 (2006: 26 June 2007), the latest date.

The advances owing by associates, related parties and a subsidiary are unsecured and interest-free, and are repayable on demand.

The loans to employees were unsecured and interest-free, and were fully repaid during the financial year.

17 Trade and Other Receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000 -	S$'000 -
Singapore Dollar	5,560	6,501	264	196
Renminbi	9,878	4,175	-	-
United States Dollar	4,566	3,893	-	-
Malaysian Ringgit	560	757	-	-
Thai Baht	230	301	-	-
Swiss Franc	757	707	-	-
Euro	390	195	-	-
Others	245	-	-	-
	22,186	16,529	264	196

18 Cash and Cash Equivalents

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Cash and bank balances	16,270	8,763	480	310
Fixed deposits	1,134	1,085	1,120	758
	17,404	9,848	1,600	1,068
Effective interest rate	2.14%	3.00%	2.14%	2.81%

The fixed deposits mature within three months from the balance sheet date.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Singapore Dollar	4,699	2,245	1,600	1,068
Renminbi	5,916	3,500	-	-
United States Dollar	5,403	2,722	-	-
Swiss Franc	763	564	-	-
Euro	297	410	-	-
Others	326	407	-	-
	17,404	9,848	1,600	1,068

18 Cash and Cash Equivalents (cont'd)

For the purpose of the consolidated cash flow statement, the year end cash and cash equivalents comprise the following:

	Group	
	2007	2006
	S$'000	S$'000 (Restated)
Cash and bank balances	16,270	8,763
Fixed deposits	1,134	1,085
Less: Bank overdraft (Note 21)	-	(48)
	17,404	9,800

19 Share Capital

	Authorised				Issued and fully paid			
	No. of shares		Amount		No. of shares		Amount	
	2007	2006	2007	2006	2007	2006	2007	2006
Group and Company			S$'000	S$'000			S$'000	S$'000
Ordinary shares								
Balance at 1 January	-	2,000,000	-	100,000	158,798,700	158,798,700	13,219	7,940
Issue of new shares pursuant to share placements, net of expenses	-	-	-	-	24,000,000	-	10,990	-
Adjustment arising from abolition of par value of shares	-	(2,000,000)	-	(100,000)	-	-	-	5,279
Balance at 31 December	-	-	-	-	182,798,700	158,798,700	24,209	13,219

During the financial year, the Company completed two share placements totalling 24,000,000 ordinary shares at an issue price of S$0.48 each which raised a total proceeds of about S$11 million, net of expenses.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

Pursuant to amendments to the Companies Act, Cap. 50, the concept of par value of shares and authorised share capital has been abolished with effect from 30 January 2006 and on that date, the shares of the Company ceased to have a par value.

20 Reserves

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Merger reserve (a)	(436)	(436)	-	-
Exchange translation reserve (b)	(505)	(500)	-	-
Other reserves (c)	777	81	-	-
Retained profits	11,226	9,660	1,547	3,236
	11,062	8,805	1,547	3,236

(a) The merger reserve arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the pooling-of-interest method of consolidation in the restructuring as described in the Group's financial statements for the financial period ended 31 December 2005.

(b) Exchange translation reserve arises from the translation of foreign subsidiaries' and associates' assets and liabilities.

(c) Other reserves refer to the reserves set aside under the People's Republic of China ("PRC") laws, which according to the current PRC company law, the company is required to transfer between 10% and 50% of its profit after income tax to statutory common reserve and statutory enterprise expansion fund reserve until the balance of such reserves reaches 50% of the registered capital. For the purpose of calculating the transfer to these reserves, the profit after income tax shall be the amount determined under PRC accounting standards. The transfer to these reserves must be made before the distribution of dividends to shareholders.

Statutory common reserve can be used to make good previous years' losses, for conversion to capital and expansion of production, if any, provided that the balance remains not less than 25% of the registered capital.

21 Bank Borrowings

		Group					
		2007			2006		
	Note	**Unsecured**	**Secured**	**Total**	**Unsecured**	**Secured**	**Total**
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Bank loan #1	a	-	-	-	-	1,054	1,054
Bank loan #2	b	-	153	153	-	225	225
Bank loan #3	c	-	-	-	-	4	4
Bank loan #4	d	8	-	8	14	-	14
Bank loans #5	e	-	1,062	1,062	-	1,095	1,095
Bank loans #6	f	124	-	124	149	-	149
Short-term loan #1	g	1,983	-	1,983	689	-	689
Short-term loans #2	h	3,650	-	3,650	2,081	-	2,081
Trust receipts	i	24	-	24	-	-	-
Bank factoring creditor	j	-	-	-	136	-	136
Bank overdraft		-	-	-	48	-	48
		5,789	1,215	7,004	3,117	2,378	5,495
Non-current liabilities							
Later than one year and not later than five years		53	209	262	110	768	878
Later than five years		-	883	883	-	1,367	1,367
		53	1,092	1,145	110	2,135	2,245
Current liabilities							
Repayable not later than one year		5,736	123	5,859	3,007	243	3,250
		5,789	1,215	7,004	3,117	2,378	5,495

Bank borrowings are denominated in the following currencies:

	Group					
	2007			2006		
	Unsecured	**Secured**	**Total**	**Unsecured**	**Secured**	**Total**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Singapore Dollar	2,209	1,062	3,271	1,158	2,149	3,307
Renminbi	1,983	-	1,983	1,240	-	1,240
United States Dollar	1,449	-	1,449	522	-	522
Malaysian Ringgit	-	-	-	-	4	4
Thai Baht	148	153	301	149	225	374
Hong Kong Dollar	-	-	-	48	-	48
	5,789	1,215	7,004	3,117	2,378	5,495

21 Bank Borrowings (cont'd)

(a) The bank loan #1 granted to a subsidiary was repayable by half-yearly instalments commencing June 2004. The loan was secured by a corporate guarantee from the Company. Interest was charged at 1.75% (2006: 1.75%) per annum above the bank's cost of funds. The loan was fully repaid during the financial year.

(b) The bank loan #2 granted to a subsidiary is secured on the freehold land of the subsidiary. During the previous financial year, the loan was revised to be repayable in 44 instalments commencing November 2006. Interest was charged at the minimum loan rate plus 1% (2006: 1%) per annum.

(c) The bank loan #3 granted to a subsidiary was repayable in 120 instalments commencing February 1998. The loan was secured on the freehold building of the subsidiary as well as joint and several guarantees provided by a director of the subsidiary and a third party. Interest was charged at 1.75% (2006: 1.75%) above the bank's base lending rate per annum. The loan was fully repaid during the financial year.

(d) The bank loan #4 granted to a subsidiary is repayable in 47 instalments commencing January 2005. The loan is secured by a personal guarantee provided by a director of the subsidiary. Interest is charged at 5% (2006: 5%) per annum.

(e) The bank loans #5 granted to two subsidiaries are each repayable in 240 monthly instalments commencing December 2006. The loans are secured on the leasehold properties of the subsidiaries as well as corporate guarantees provided by the Company. Interest is charged at 4.48% to 4.98% (2006: 4.48%) per annum.

(f) The bank loans #6 granted to a subsidiary pertains to two working capital loans which are repayable in 36 and 60 instalments. The loans are secured by personal guarantees provided by two directors of the subsidiary. Interest is charged at between minimum retail rate plus 5% to minimum loan rate (2006: minimum retail rate plus 5%) per annum.

(g) Short-term loan #1 granted to a subsidiary incurred interest at 6.7095% (2006: 6.138%) per annum and is secured by corporate guarantee provided by the Company.

(h) Short-term loans #2 granted to subsidiaries incurred interest at 2.85% to 7.0625% (2006: 4.91% to 7.38%) per annum and are secured by corporate guarantees provided by the Company.

(i) The facility for trust receipts of a subsidiary is guaranteed by two directors of the subsidiary. The interest incurred ranged from 4.50 % to 9.25 % (2006: Nil) per annum.

(j) Under the receivables purchase facility for bank factoring creditor #1, the bank had granted a facility sum of S$500,000 to a subsidiary, of which S$136,000 has been utilised as at the end of the previous financial year. The facility was secured by a corporate guarantee provided by the Company. Interest was charged at SWAP plus 2.25% per annum. The facility was fully repaid and cancelled during the financial year.

The weighted average effective interest rate of the Group's bank borrowings is 5.65% (2006: 4.71%) per annum.

22 Finance Leases

	Group	
	2007	2006
	S$'000	S$'000 (Restated)
Minimum lease payments payable:		
- due not later than one year	55	26
- due later than one year and not later than five years	235	21
- due later than five years	-	-
	290	47
Finance charges allocated to future years	(47)	(2)
Present value of minimum lease payments	243	45
Present value of minimum lease payments:		
Non-current liabilities		
Due later than one year and not later than five years	113	20
Due later than five years	83	-
	196	20
Current liabilities		
Due not later than one year	47	25
	243	45

The weighted average effective interest rate of the Group's finance leases is 4.12% (2006: 9.67%) per annum.

23 Deferred Tax Liabilities

	Group	
	2007	2006
	S$'000	S$'000 (Restated)
Deferred tax liabilities to be settled within one year	50	68
Movement in deferred tax liabilities is as follows:		
Balance at 1 January	68	24
Charged to income statement: (Note 9)		
- current year	16	33
- (over)/underprovision in respect of prior years	(34)	11
Balance at 31 December	50	68

The deferred tax liabilities represent tax on excess of net book value over tax written down value of qualifying property, plant and equipment.

24 Trade and Other Payables

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Trade payables:				
- third parties	10,618	6,272	-	-
- associates	12	199	-	-
- related parties	3,168	2,783	-	-
	13,798	9,254	-	-
Advances received from customers	2,924	1,817	-	-
Accrued operating expenses	2,502	1,659	233	141
Advances from group subsidiaries	-	-	-	6
Amount owing to directors of subsidiaries	49	22	-	-
Other payables	573	610	20	19
	19,846	13,362	253	166

Trade payables are non-interest bearing and are usually settled within 30-90 days.

The advances owing to group subsidiaries were unsecured and interest-free, and were fully repaid during the financial year.

The amounts owing to directors of subsidiaries are unsecured and interest-free, and are repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000
Singapore Dollar	2,487	1,513	253	166
Renminbi	8,060	3,317	-	-
United States Dollar	3,799	3,778	-	-
Swiss Franc	3,168	2,767	-	-
Euro	1,198	824	-	-
Japanese Yen	443	234	-	-
Others	691	929	-	-
	19,846	13,362	253	166

25 Dividends

At the Annual General Meeting to be held, a final dividend comprising one-tier tax exempt dividend of 0.55 (2006: 1.83) Singapore cents per share. These financial statements do not reflect these dividends payable, which will be accounted for in shareholder's equity as distribution of retained profits in the financial year ending 31 December 2008.

26 Segment Information

(a) Business segments

The Group's primary business segments are provision of Engineering Solutions - Motion Control, Other Specialised Engineering Solutions (previously known as Engineering Solutions- Others) and Industrial Computing Solutions.

(b) Geographical segments

The Group operates primarily in two geographical regions, namely South Asia and North Asia regions.

(c) Segment revenue and expenses

Segment revenue and expenses are revenue and expenses reported in the financial information that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.

(d) Inter-segment transfers

Segment revenue and segment results include transfer between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated on consolidation.

(e) Segment assets and liabilities

Segment assets are all operating assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are all operating liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

26 Segment Information (cont'd)

(f) Information by business segments:

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing		Elimination		Consolidated	
	2007 S$'000	**2006** S$'000 (Restated)	**2007** S$'000	**2006** S$'000 (Restated)	**2007** S$'000	**2006** S$'000 (Restated)	**2007** S$'000	**2006** S$'000 (Restated)	**2007** S$'000	**2006** S$'000 (Restated)
Group										
Revenue										
External sales	77,354	57,523	19,506	10,416	5,996	6,581	-	-	102,856	74,520
Inter-segment sales	6,912	3,822	1,800	494	424	-	(9,136)	(4,316)	-	-
	84,266	61,345	21,306	10,910	6,420	6,581	(9,136)	(4,316)	102,856	74,520
Results										
Segment results	8,619	7,662	282	51	179	230	-	-	9,080	8,749
Rental income from investment properties									60	37
Interest income									124	124
Finance costs									(435)	(259)
Share of profits of associates									98	9
Profit before income tax									8,927	8,660
Income tax									(1,890)	(1,688)
Profit for the year									7,037	6,972
Assets										
Segment assets	38,847	27,699	7,215	4,751	2,561	2,834	(896)	(1,389)	47,727	33,895
Goodwill	149	149	-	-	-	-	-	-	149	149
Unallocated corporate assets									19,119	13,183
Consolidated total assets									66,995	47,227
Liabilities										
Segment liabilities	16,878	13,505	2,915	2,926	949	713	(896)	(1,389)	19,846	15,755
Unallocated corporate liabilities									8,371	6,822
Consolidated total liabilities									28,217	22,577

26 Segment Information (cont'd)

(f) Information by business segments: (cont'd)

	Engineering Solutions – Motion Control		Other Specialised Engineering Solutions		Industrial Computing		Elimination		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000 (Restated)	S$'000	S$'000 (Restated)	S$'000	S$'000 (Restated)	S$'000	S$'000 (Restated)
Group										
Capital expenditure	1,099	1,475	355	355	6	618	-	-	1,460	2,448
Depreciation of properties, plant and equipment	578	490	71	55	23	30	-	-	672	575
Depreciation of investment properties	17	17	-	-	-	-	-	-	17	17
Other non-cash expenses										
- impairment loss on a property	16	-	-	-	-	-	-	-	16	-
- property, plant and equipment written off	11	2	-	-	-	-	-	-	11	2
- loss on liquidation of an associate	-	-	4	-	-	-	-	-	4	-
- impairment loss on investment in an associate	-	7	-	-	-	-	-	-	-	7
- goodwill written off	-	1	-	-	-	-	-	-	-	1
- allowance for inventories obsolescence	65	44	1	-	1	-	-	-	67	44
- bad trade receivables written off	8	28	-	-	-	-	-	-	8	28
- allowance for trade receivables	15	11	-	-	-	-	-	-	15	11

26 Segment Information (cont'd)

(g) Information by geographical segments:

The revenue by geographical segments are based on the location of customers. The segment assets and capital expenditure are based on the location of those assets.

	South Asia		North Asia		Others [1]		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	S$'000	S$'000 (Restated)	S$'000	S$'000 (Restated)	S$'000	S$'000 (Restated)	S$'000	S$'000 (Restated)
Group								
Revenue	41,542	36,692	60,914	37,729	400	99	102,856	74,520
Cash and bank balances	9,022	6,790	8,377	3,058	5	-	17,404	9,848
Other segment assets including unallocated segments	24,697	25,277	24,750	12,102	144	-	49,591	37,379
Carrying amount of segment assets	33,719	32,067	33,127	15,160	149	-	66,995	47,227
Capital expenditure	614	1,598	833	850	13	-	1,460	2,448

(1) include countries such as India, Pakistan, Sri Lanka, United Kingdom, United States of America, Germany and Australia. Each of these countries does not contribute more than 5% of the Group's total revenue.

27 Operating Lease Commitments

Where the Group is a lessor:

At the balance sheet date, commitments in respect of non-cancellable operating leases for the rental of the Group's investment properties are as follows:

	Group	
	2007	2006
	S$'000	S$'000
Future minimum lease payment receivable:		
- not later than one year	30	30
- later than one year and not later than five years	10	14
- later than five years	-	-

The aforesaid operating leases will expire on 14 August 2008 (2006: 15 August 2007) and 15 August 2009 (2006: 14 August 2008) and the monthly lease rental income are S$1,200 (2006: S$972) and S$1,890 (2006: S$1,890) respectively.

27 Operating Lease Commitments (cont'd)

Where the Group is a lessee:

At the balance sheet date, commitments in respect of non-cancellable operating leases for the Group's rental of office premises and office equipment are as follows:

	Group	
	2007	**2006**
	S$'000	S$'000 (Restated)
Future minimum lease payment payable:		
- not later than one year	471	351
- later than one year and not later than five years	10	357
- later than five years	-	-

The aforesaid operating leases will expire between 16 January 2008 (2006: 1 February 2007), the earliest date and 28 February 2011 (2006: 20 February 2011), the latest date. The monthly lease rental expense ranges from S$56 (2006: S$187) to S$6,884 (2006: S$6,024) respectively.

28 Contingent Liabilities

	Company	
	2007	**2006**
	S$'000	S$'000
Corporate guarantees provided to banks in connection with banking facilities granted to subsidiaries - unsecured	3,832	4,366

The financial guarantees shown above were not recorded at fair value in the Company's financial statements in accordance with the accounting policy disclosed in Note 3(o), as in the opinion of the directors, the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had those guarantees not been available, is immaterial.

The Company has given letters of undertaking to provide financial support for two subsidiaries namely IGB (H.K.) Co., Ltd and USAS Motion Co., Ltd, which had total net deficits as at 31 December 2007 of S$119,000 (2006: $82,000), so as to enable them to continue to operate as going concerns and to meet their respective obligations as and when they fall due.

29 Related Party Transactions

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions.

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant transactions of the Group with related parties at mutually agreed amounts during the financial year:

	Group	
	2007	**2006**
	S$'000	S$'000
Sales to associates	(109)	(387)
Sales to related parties	(953)	(71)
Purchases from associates	38	351
Purchases from related parties	13,305	4,773
Administration fee charged to a related party	-	(18)
Rental charged to a related party	(25)	(3)
Rental charged from related parties	-	33
Technical service fee charged from related parties	3	76
Other expenses paid to associates	-	26
Other income charged to:		
- associates	-	(6)
- a related party	(34)	(22)

30 Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Group's financial instruments carried on the balance sheet include cash and cash equivalents, financial assets and financial liabilities.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in foreign currency exchange and interest rate.

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and bank borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily Renminbi (RMB), United States Dollars (US$) Swiss Franc (CHF) and Euro.

To manage the foresaid foreign currency risk, the Group maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank accounts which are primarily used for payments of purchases in the same currency denomination.

30 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Foreign currency risk (cont'd)

In addition, the Group adopts the use of forward currency contracts to mitigate the foreign currency risk where viable. Under the Group risk management policy, any hedging transaction amount up to S$100,000 in equivalent requires prior approval from the managing director of the Company. Any hedging transaction amount more than S$100,000 in equivalent requires prior approval from the Audit Committee.

The Group's foreign currency exposure based on the information provided to key management is as follows:

	RMB	US$	CHF	Euro
	S$'000	S$'000	S$'000	S$'000
Group				
2007				
Financial assets				
Trade and other receivables	9,878	4,566	757	390
Cash and cash equivalents	5,916	5,403	763	297
	15,794	9,969	1,520	687
Financial liabilities				
Bank borrowings	1,983	1,449	-	-
Trade and other payables	8,060	3,799	3,168	1,198
	10,043	5,248	3,168	1,198
Net financial assets/(liabilities)	5,751	4,721	(1,648)	(511)
2006				
Financial assets				
Trade and other receivables	4,175	3,893	707	195
Cash and cash equivalents	3,500	2,722	564	410
	7,675	6,615	1,271	605
Financial liabilities				
Bank borrowings	1,240	522	-	-
Trade and other payables	3,317	3,778	2,767	824
	4,557	4,300	2,767	824
Net financial assets/(liabilities)	3,118	2,315	(1,496)	(219)

30 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Foreign currency risk (cont'd)

A 5% strengthening of S$ against the following currencies at the balance sheet date would increase (decrease) the Group's profit after income tax and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group			
	2007		2006	
	Profit after tax	**Equity**	**Profit after tax**	**Equity**
	S$'000	S$'000	S$'000	S$'000
RMB	-	288	-	156
US$	236	-	116	-
CHF	(82)	-	(75)	-
Euro	(26)	-	(11)	-

A 5% weakening of S$ against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group's exposure to interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities.

Interest-bearing financial assets primarily include fixed deposits that are short term in nature and are not held for speculative purposes but are placed to have better yield returns than cash at banks.

Interest-bearing financial liabilities mainly include bank borrowings and finance leases.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The Group's borrowings at variable rates are denominated mainly in Thai Baht ("THB"). If the THB interest rates increase/decrease by 0.5% (2006: 0.5%) with all other variables remain constant, the Group's profit after income tax will be lower/higher by S$2,000 (2006: S$2,000) as a result of higher/lower interest expense on these borrowings.

30 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Credit risk

The Group has policies in place to ensure that sale of products and services rendered are made to customers with an appropriate credit history.

For trade receivables, the Group adopted the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. Cash and fixed deposits are held with creditworthy financial institutions.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. The credit quality of customers is assessed after taking into accounts its financial position and past experience with the customers.

The Group does not identify specific concentrations of credit risk with regards to trade receivables, as the amounts recognised in the balance sheet resemble a large number of receivables from various customers. As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired at the balance sheet date are substantially creditworthy companies with a good collection record with the Group. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's trade receivables not past due include receivables amounting to S$329,000 (2006: Nil) that would have been past due or impaired if the terms were not re-negotiated during the financial year.

30 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

<u>Credit risk (cont'd)</u>

Financial assets that are past due and/or impaired

There is no other class of the Group's financial assets that is past due and/or impaired except for trade receivables as set out below.

The Group has trade receivables that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2007	**2006**
	S$'000	S$'000 (Restated)
Trade receivables past due:		
- 0 to 3 months	3,161	3,514
- 3 to 6 months	506	618
- over 6 months	723	598
	4,390	4,730

The Group's trade receivables that are determined to be individually impaired at the balance sheet date are as follows:

	Group	
	2007	**2006**
	S$'000	S$'000 (Restated)
Trade receivables	556	359
Less: Allowance for impairment	(20)	(46)
	536	313

The movements of the allowance account used to record the impairment are as follows:

	Group	
	2007	**2006**
	S$'000	S$'000 (Restated)
Balance at 1 January	46	78
Allowance for the year	15	11
Amount written off	(41)	(43)
Balance at 31 December	20	46

Trade receivables which are impaired at the balance sheet relate to debtors that are in significant financial difficulties and have defaulted in payments. These receivables are not secured by any collateral.

30 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Liquidity risk

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	Within one year	Within two to five years	Over five years
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
2007					
Bank borrowings	7,004	7,961	5,862	262	880
Finance leases	243	290	47	113	83
Trade and Other payables	19,846	19,846	19,846	-	-
	27,093	28,097	25,755	375	963
2006					
Bank borrowings	5,495	6,516	3,250	878	1,367
Finance leases	45	47	25	20	-
Trade and other payables	13,362	13,362	13,362	-	-
	18,902	19,925	16,637	898	1,367

The Group monitors its liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of approximately 35 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition the Group maintains the following lines of credit:

(i) S$1.00 million overdraft facilities unsecured and covered by a corporate guarantee of the Company. Interest would be payable at rates ranging from Prime+0.25% to Prime+1.25%.
(ii) At least S$4.78 million foreign exchange contract hedging limit that is unsecured and covered by a corporate guarantee of the Company. Limit in excess of S$4.78 million is determined at the discretion of some banks when entering into each contract.
(iii) S$19.59 million other banking facilities (including letter of credit, trust receipt, banker's acceptance, export credit, bill of exchange, bank guarantee etc) that are unsecured and covered by a corporate guarantee of the Company. Interest would be payable at rates ranging from SIBOR, Cost of Funds or Prime +0.75% to 2%, or rates mutually agreed at each drawdown.

Total combined limit of the above lines of credit at any time shall not exceed S$20.59 million.

30 Financial Instruments (cont'd)

(b) Fair Value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group.

Non-derivative financial liabilities

The carrying amounts of trust receipts approximate their fair values due to the relatively short term maturity period.

The carrying amounts of bank term loans and finance leases approximate their fair values, as estimated by using discounted cash flow analysis based on current lending rates for similar types of lending and borrowing arrangements.

Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities with a maturity of less than one year, which are primarily trade and other receivables, trade and other payables, and cash and cash equivalents, are assumed to approximate their fair values because of the short term period of maturity.

31 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group's strategies, which were unchanged from 2006, are to maintain gearing ratios within 20 % to 50 %. The gearing ratio is calculated as net debts divided by total capital. Net debt is calculated as bank borrowings and finance leases plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group	
	2007	**2006**
	S$'000	S$'000
Net debt	9,689	9,054
Total equity	38,778	24,650
Total capital	48,467	33,704
Gearing ratio	20%	27%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2007 and 2006.

32 Events After Balance Sheet Date

(a) In October 2007, Motion Control Group Pte Ltd ("MCG"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Mr Teo Cher Koon, the managing director of the Company, pursuant to which MCG shall acquire from Mr Teo a 49% equity interest in Dirak Asia Pte Ltd ("Dirak Asia"), a company incorporated in Singapore, for a purchase consideration of S$11.76 million. The purchase consideration was determined based on the valuation of Dirak Asia as agreed between the parties, on a willing buyer and willing seller basis, and is to be satisfied by the issue of 13,375,800 new shares in the capital of the Company and the payment of S$5.88 million in cash.

The principal activities of Dirak Asia and its subsidiaries (collectively the "Dirak Group") are the engineering, design and manufacturing of hinges, latches, locks, handles, rod systems, EMI/RFI gasketing and mechanical latching system for data centres.

The acquisition was completed and approved by shareholders of the Company in an Extraordinary General Meeting held in January 2008. The consideration shares of 13,375,800 were allotted and issued at S$0.4396 each upon the completion of the acquisition whilst the cash consideration will be paid in milestones according to the terms of the sale and purchase agreement.

(b) In January 2008, Dirak Asia, incorporated a wholly owned subsidiary, Suzhou D Snap Technologies Co., Ltd ("D Snap Tech"), in the People's Republic of China ("PRC") with a registered capital of US$210,000. The principal activities of D Snap Tech are manufacturing and sale of D-Snap products and promotion of D-Snap technology applications.

(c) In March 2008, DBASIX Singapore Pte Ltd, a 50% associate owned by MCG, incorporated a wholly owned subsidiary, Shanghai DBASIX M&E Equipment Co., Ltd ("DBASIX Shanghai"), in the PRC with a registered capital of US$140,000. The principal activities of DBASIX Shanghai are manufacturing and sale of aluminum profiles, actuators and related components.

33 Comparative Figures

Certain comparative figures of the Group's consolidated financial statements for the previous financial year ended 31 December 2006 have been restated as a result of a change in accounting for Maxon Motor (Suzhou) Co., Ltd ("Maxon Suzhou") and Maxon Electronics Machine International Trade (Shanghai) Co., Ltd ("Maxon Shanghai") for the purposes of consolidation.

Maxon Shanghai and Maxon Suzhou, which were previously accounted for as associates in the Group's consolidated financial statements under the equity method of accounting, are now consolidated as subsidiaries based on the Group's authority to govern the two subsidiaries' financial and operating policies. There is no net financial impact on the Group's consolidated profit for the financial year ended 31 December 2006 and consolidated net assets as at 31 December 2006 as a result of the change in the accounting other than set out below.

	Group	
	2006	**2006**
	S$'000	S$'000
	(As previously reported)	(Restated)
Income statement		
Revenue	66,579	74,520
Cost of sales	(46,894)	(51,771)
Other operating income	725	744
Distribution costs	(1,992)	(2,276)
Administrative expenses	(10,756)	(11,453)
Other operating expenses	(770)	(854)
Share of profits of associates	789	9
Income tax	(1,256)	(1,688)
Minority interests	4	(802)
	6,429	6,429
Balance sheet		
Property, plant and equipment	6,688	6,855
Associates	2,616	958
Inventories	10,418	12,254
Trade and other receivables	14,553	16,529
Cash and cash equivalents	7,599	9,848
Minority interests (Ending balance)	(883)	(2,626)
Trade and other payables	(10,671)	(13,362)
Current income tax payable	(1,081)	(1,217)
	29,239	29,239
Minority interests (Opening balance)	(419)	(1,970)

SHAREHOLDERS' INFORMATION
as at 14 March 2008

Issued and fully paid-up capital	:	S$24,208,684
Number of shares	:	196,174,500
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

Substantial shareholders

Substantial shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 14 March 2008.

Name	No. of Ordinary Shares			
	Direct Interest	**%**	**Deemed Interest**	**%**
Assetraise Holdings Limited	105,030,500	53.54	-	-
Teo Cher Koon	-	-	105,030,500 (1)	53.54
DBS Nominees Pte Ltd	19,821,433	10.10	-	-
Karl Walter Braun	19,618,000	10.00	-	-

Notes:

(1) Assetraise Holdings Limited is beneficially owned entirely by Mr Teo Cher Koon. As such, Mr Teo Cher Koon is deemed to have an interest in 105,030,500 shares held by Assetraise Holdings Limited.

Free Float

As at 14 March 2008, approximately 21.14% of the issued share capital of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

STATISTICS OF SHAREHOLDINGS
as at 14 March 2008

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	2	0.56	567	0.00
1,000 - 10,000	165	46.09	872,000	0.44
10,001 - 1,000,000	177	49.44	23,504,000	11.98
1,000,001 AND ABOVE	14	3.91	171,797,933	87.58
TOTAL	**358**	**100.00**	**196,174,500**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1.	ASSETRAISE HOLDINGS LIMITED	105,030,500	53.54
2.	DBS NOMINEES PTE LTD	19,821,433	10.10
3.	KARL WALTER BRAUN	19,618,000	10.00
4.	CHOW KA MAN	5,005,000	2.55
5.	KIM ENG SECURITIES PTE. LTD.	4,259,000	2.17
6.	CITIBANK NOMINEES SINGAPORE PTE LTD	4,035,000	2.06
7.	DBS VICKERS SECURITIES (S) PTE LTD	3,599,000	1.83
8.	LIM & TAN SECURITIES PTE LTD	1,825,000	0.93
9.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	1,617,000	0.82
10.	TAN THIAM CHYE	1,604,000	0.82
11.	KONG DEYANG	1,600,000	0.82
12.	HONG LEONG FINANCE NOMINEES PTE LTD	1,536,000	0.78
13.	LIM HWEE HONG	1,174,000	0.60
14.	LAU CHOON GUAN	1,074,000	0.55
15.	POET INVESTMENT HOLDINGS PTE LTD	978,000	0.50
16.	SIM LEONG SEANG	954,000	0.49
17.	LIAM BIN HUI	812,000	0.41
18.	NG SOCK HONG	800,000	0.41
19.	CHENG HOCK KIANG	763,000	0.39
20.	EE BENG CHUAN	718,000	0.37
	TOTAL	**176,822,933**	**90.14**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of ISDN HOLDINGS LIMITED (the "Company") will be held at 105 Tampines Road #06-06 Wing Tai Industrial Centre, Singapore 535127 on Monday, 28 April 2008 at 2.30 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' and Auditors' Report and Audited Accounts of the Company for the year ended 31 December 2007. **(Resolution 1)**

2. To declare a final tax-exempt (one tier) dividend of 0.55 Singapore cents per ordinary share for the year ended 31 December 2007. **(Resolution 2)**

3. To re-appoint Mr. Teo Cher Koon as Director of the Company who is retiring in accordance with Article 107 of the Company's Articles of Association.

   Mr. Teo Cher Koon, upon re-appointment as an Executive Director of the Company, will continue to serve in the Nominating Committee of the Company. **(Resolution 3)**

4. To re-appoint Mr. Tay Gim Sin Leonard as Director of the Company who is retiring in accordance with Article 107 of the Company's Articles of Association.

   Mr. Tay Gim Sin Leonard, upon re-appointment as a Non-Executive Director of the Company, will continue to serve in the Remuneration and Audit Committee of the Company. **(Resolution 4)**

5. To approve the payment of Directors' fees of S$100,000 for the year ended 31 December 2007 (Previous Year: S$100,000). **(Resolution 5)**

6. To approve the payment of Directors' fees of S$100,000 for the year ending 31 December 2008. **(Resolution 6)**

7. To re-appoint Messrs Moore Stephens as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. THAT pursuant to Section 161 of the Companies Act, Cap. 50, and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deemed fit provided that the aggregate number of shares and convertible securities to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. (See Explanatory Note 1) **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

9. THAT the Directors of the Company be and are hereby authorised to offer and grant options and share awards in accordance with the ISDN Holdings Share Option Scheme and ISDN Performance Share Scheme (the "Schemes") and to issue such shares as may be required to be issued pursuant to the exercise of the options under the Schemes provided always that the aggregate number of shares to be issued pursuant to the Schemes shall not exceed 15 per centum (15%) of the issued share capital of the Company from time to time. (See Explanatory Note 2) **(Resolution 9)**

AS OTHER BUSINESS

10. To transact any other business.

BY ORDER OF THE BOARD

GWENDOLYN GN JONG YUH
Company Secretary

11 April 2008
Singapore

Note:

1. A Member entitled to attend and vote at this Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument of proxy must be executed under seal or by the hand of its duly authorized attorney.

3. The instrument appointing a proxy must be deposited at the registered office of the Company at 10 Kaki Bukit Road 1, #01-30 KB Industrial Building Singapore 416175 not less than forty-eight hours **(48)** before the time for holding the Meeting.

EXPLANATORY NOTES

1. The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed fifty per centum (50%) of the issued share capital of the Company at the time of passing of this resolution. For issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum. (20%) of the issued share capital of the Company.

   The percentage of issued share capital is based on the Company's issued capital at the time of passing of the resolution after adjusting for (a) new shares arising from the conversion or exercise of convertible securities, (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, and (c) any subsequent consolidation or subdivision of shares.

2. The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of the above meeting until the next Annual General Meeting, to issue shares up to an amount in aggregate not exceeding 15 per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options or vesting of share awards under the Schemes.

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Important

1. For investors who have used their CPF monies to buy ISDN Holdings Limited's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

ISDN HOLDINGS LIMITED
Company Registration No. 200416788Z
(Incorporated In the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (name)
of ______________________________ (address)
being a member/members of ISDN Holdings Limited (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings %
and/or (delete as appropriate)			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Monday, 28 April 2008 at 2.30 p.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1.	Directors' and Auditors' Report and Audited Accounts of the Company for the year ended 31 December 2007		
2.	Payment of proposed first and final dividend		
3.	Re-appointment of Mr Teo Cher Koon as Director of the Company		
4.	Re-appointment of Mr Tay Gim Sin Leonard as Director of the Company		
5.	Approval of Directors' fees amounting to S$100,000 for the year ended 31 December 2007		
6.	Approval of Directors' fees amounting to S$100,000 for the year ending 31 December 2008		
7.	Re-appointment of Messrs Moore Stephens as Auditors and to authorise the Directors to fix their remuneration		
8.	Authority to allot and issue new shares		
9.	Authority to grant options and share awards and issue shares under the ISDN Holdings Share Option Scheme and ISDN Performance Share Scheme		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this __________ day of ______________

Total number of Shares in:	No. of Shares Held
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have shares entered against your name in Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. A proxy need not be a member of the company.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Kaki Bukit Road, #01-30 KB Industrial Building, Singapore 416175 not less than 48 hours before the time appointed for the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Vanda Miss Joaquim

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C/o 1 Robinson Road #18-00 AIA Tower
Singapore 048542

ISDN Holdings LIMITED

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VISION

To be the engineering solution provider of choice focused on delivering innovative and quality solutions of value to our customers and stakeholders.

MISSION

- To be recognised as the leader in all the markets we serve
- To continue to build enduring relationship of trust with our customers and partners
- To be an employer of choice that inspires and rewards performance excellence
- To generate value for shareholders through measured growth strategies in earnings and distributions.

ISDN Holdings LIMITED

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